



**Board of Trustees  
Finance and Facilities Committee Meeting  
March 2, 2016  
8:30 a.m.  
President's Boardroom, Millican Hall, 3<sup>rd</sup> floor  
Conference call in phone number 800-442-5794, passcode 463796**

**AGENDA**

- |  |   |
|--|---|
| <b>I. CALL TO ORDER</b>  | Alex Martins<br><i>Chair, Finance and Facilities Committee</i>  |
| <b>II. ROLL CALL</b>   | Tracy D. Slavik<br><i>Coordinator of Administrative Services<br/>for Administration and Finance Division</i>  |
| <b>III. MEETING MINUTES</b>  |   |
| <ul style="list-style-type: none"><li>• <a href="#">Approval of the January 28, 2016, Finance and Facilities Committee meeting minutes</a></li></ul> | Chair Martins   |
| <b>IV. NEW BUSINESS</b>  | Chair Martins   |
| <ul style="list-style-type: none"><li>• 2016-17 Medical Student Tuition and Fees (<a href="#">FFC-1</a>)</li></ul>                                   | Dale Whittaker<br><i>Provost and Executive Vice President</i><br>Deborah German<br><i>Vice President for Medical Affairs<br/>and Dean of the College of Medicine</i>  |
| <ul style="list-style-type: none"><li>• Revision to Florida Solar Energy Center Rule 6C7-8.007 (<a href="#">FFC-2</a>)</li></ul>                     | William F. Merck II<br><i>Vice President for Administration<br/>and Finance and Chief Financial Officer</i><br>W. Scott Cole<br><i>Vice President and General Counsel</i><br>Youndy Cook<br><i>Deputy General Counsel</i> |

- Technology Fee Report (INFO-1)  
Dale Whittaker  
Joel Hartman  
*Vice Provost for Information Technologies  
and Resources and Chief Information Officer*
- Equipment Fees for 2016-17 (INFO-2)  
Dale Whittaker  
Mubarak Shah  
*Interim Vice Provost  
and Dean of Graduate Studies*  
Elizabeth Dooley  
*Vice Provost for Teaching and Learning  
and Dean of the College of Undergraduate  
Studies*
- UCF Investments Quarterly Report  
Ended December 31, 2015 (INFO-3)  
William F. Merck II  
Tracy Clark  
*Associate Provost for Budget,  
Planning, and Administration and  
Associate Vice President for Finance*
- University Operating Budget Report  
Ended December 31, 2015 (INFO-4)  
William F. Merck II  
Tracy Clark
- 2015 Audited University Financial  
Statements (INFO-5)  
William F. Merck II  
Tracy Clark
- Financial Aid Presentation (INFO-6)  
Maribeth Ehasz  
*Vice President for Student Development  
and Enrollment Services*  
Gordon Chavis  
*Associate Vice President for Student  
Development and Enrollment Services*  
Alicia Keaton  
*Director of Student Financial Assistance*
- Contract for Boutique Hotel (INFO-7)  
William F. Merck II

**V. OTHER BUSINESS**

Chair Martins

**VI. CLOSING COMMENTS**

Chair Martins



Board of Trustees  
Finance and Facilities Committee Meeting  
*FAIRWINDS* Alumni Center  
January 28, 2016

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**MINUTES**

**CALL TO ORDER**

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 12:03 p.m. Committee members Robert Garvy, Keith Koons, William Yeargin, and Cait Zona were present. Committee member John Sprouls attended by teleconference. Trustees Clarence Brown, Joseph Conte, and Marcos Marchena were present.

**MINUTES APPROVAL**

The minutes of the November 19, 2015, and December 2, 2015, Finance and Facilities Committee meetings were approved as submitted.

**NEW BUSINESS**

Minor Amendment to 2015 Master Plan (FFC-1)

Lee Kernek, Associate Vice President for Administration and Finance, presented a request to approve a minor amendment to the University of Central Florida 2015 Campus Master Plan for the construction of a stand-alone Pollo Tropical food retail venue adjacent to the Recreation and Wellness Center. The amendment constitutes a minor amendment that only requires Board of Trustees approval for adoption, which the committee unanimously approved.

Amend University of Central Florida Research Foundation Bylaws (FFC-2)

Scott Cole, Vice President and General Counsel, presented amended bylaws of the University of Central Florida Research Foundation that confirm UCF's control of the direct support organization is consistent with a recent Florida Supreme Court opinion regarding limited sovereign immunity, authorize use of a fictitious name for the Research Foundation, and make other technical corrections. The committee requested that a requirement be added to the bylaws whereby if the university president makes changes to the Research Foundation budget that these changes be presented to the Board of Trustees for approval at the subsequent BOT meeting. The committee unanimously approved the amended bylaws with that discussed addition.

**OTHER BUSINESS**

Capital Improvement Plan Update

The committee requested that all references to UCF Downtown housing be removed from the 2015-25 Capital Improvement Plan, and the request was unanimously approved.

Chair Martins adjourned the Finance and Facilities Committee meeting at 12:14 p.m.

Respectfully submitted: William F. Merck II 2-15-16  
William F. Merck II Date  
Vice President for Administration and Finance  
and Chief Financial Officer

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ITEM: FFC-1

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

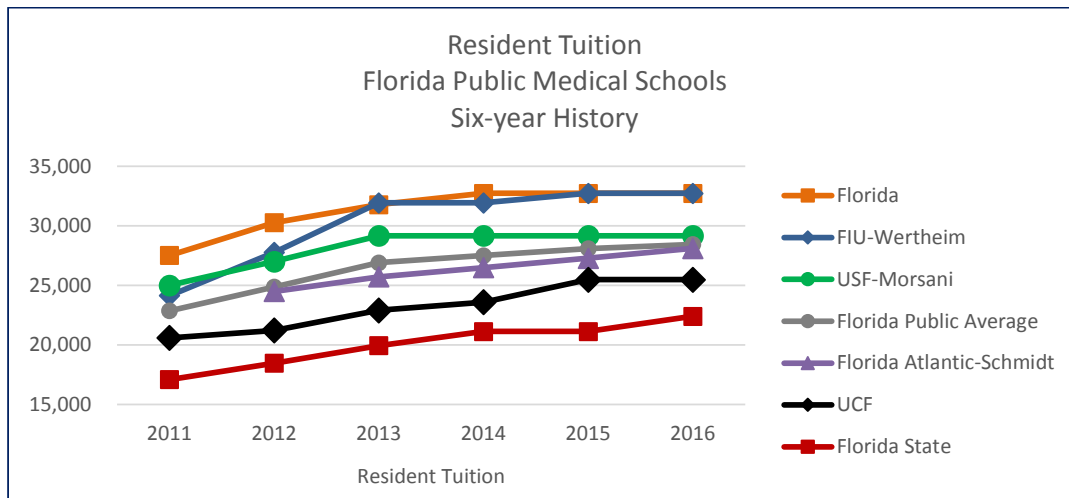
**SUBJECT:** 2016-17 Medical Student Tuition and Fees

**DATE:** March 2, 2016

**PROPOSED COMMITTEE ACTION**

Approve no increase in 2016-17 tuition, fees, and out-of-state fees. The tuition will remain at \$25,490.80 and other fees at \$4,189.40, including a financial aid fee of \$1,274.40 and an equipment fee of \$601. The out-of-state fee will remain at \$25,594, as well as the non-resident financial aid fee of \$1,279.60.

**BACKGROUND INFORMATION**



The UCF College of Medicine (diamond line) provides an excellent value to Florida medical students by consistently charging the second-lowest resident tuition among all the Florida public medical schools. Compared to the Florida public medical school average (small circle line), UCF COM students save about \$3,000 per year, or \$12,000 over four years. Compared to the highest in-state Florida public medical school tuition, UCF medical students save more than \$28,000 in four years. The Association of American Medical Colleges is the data source provided in the graph above.

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**Supporting documentation:** None

**Prepared by:** David Noel, Associate Vice President of Administration and Finance,  
College of Medicine  
Steven Omli, Director of Finance and Accounting, College of Medicine

**Submitted by:** Deborah German, Vice President for Medical Affairs and Dean, College  
of Medicine  
Dale Whittaker, Provost and Executive Vice President  
William Merck II, Vice President for Administration and Finance and  
Chief Financial Officer

**ITEM: FFC-2**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** Revision to Florida Solar Energy Center Rule 6C7-8.007

**DATE:** March 2, 2016

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**PROPOSED COMMITTEE ACTION**

Approve the attached amendment to existing Florida Solar Energy Center Rule 6C7-8.007.

**BACKGROUND INFORMATION**

The Florida Administrative Procedures Act requires that amendments to rules be approved by the Board of Trustees. The board is requested to approve an amendment to Florida Solar Energy Rule 6C7-8.007 Solar Thermal PV Equipment Testing Standards.

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**Supporting documentation:** Attachment A: Chapter 8 UCF Rule 6C7-8.007 Solar Thermal PV Equipment Testing Standards

**Prepared by:** Youndy C. Cook, Deputy General Counsel

**Submitted by:** W. Scott Cole, Vice President and General Counsel

## Attachment A

**6C7-8.007 Solar Thermal and PV Equipment ~~Testing~~ Standards.**

(1) The Solar Equipment Testing and Standards Program shall apply to solar thermal and PV equipment submitted for testing and evaluation by manufacturers, distributors, or retailers (herein called the “Seller”). Equipment that converts sunlight directly into useful thermal or heat energy shall be designated as thermal collectors. Equipment that converts sunlight directly into useful electrical energy shall be designated as photovoltaic (herein called “PV”) modules. The procedures and requirements for participating in the program shall be those described in FSEC Standard 101-15 ~~401-10~~, “Operation of the Solar Thermal Collector Certification Program” ~~(September–December 2015)~~ (January 2010), and FSEC Standard 201-10, “Operation of the Photovoltaic Module Performance Certification Program” (January 2010), whichever is applicable. A copy of each of these standards is incorporated in this regulation by reference.

(2) Solar thermal collector and solar thermal system certifications issued by the Solar Rating & Certification Corporation™ (SRCC) or the International Association of Plumbing and Mechanical Officials (IAPMO) shall be deemed to comply with the solar thermal collector and solar thermal system standards of the Florida Solar Energy Center. The standards for solar thermal collectors shall be those described in FSEC Standard 102-10, “Test Methods and Minimum Standards for Certifying Solar Thermal Collectors” (January 2010). The standards for PV modules shall be those described in FSEC Standard 202-10, “Test Method for Photovoltaic Module Power Rating” (January 2010). A copy of each of these standards is incorporated in this rule by reference. Sellers are required to meet these standards and have a Label of Certification in accordance with FSEC Standard 101-10 or FSEC Standard 201-10, whichever is applicable, in order to sell certified solar thermal collectors or PV modules in Florida.

(3) ~~The criteria for testing the performance of solar thermal collectors and systems shall be those described in FSEC Standard 102-10 and FSEC Standard 105-10, “Solar Thermal System and Components Test Protocols” (January 2010) is herein incorporated by reference. The criteria for testing the performance of PV modules shall be those described in FSEC Standard 202-10.~~

(4) Results of tests, ~~as described in FSEC Standard 102-10, FSEC Standard 105-10 and FSEC Standard 202-10~~, conducted by organizations other than the Center may be accepted by the Center when the testing organization meets the requirements and criteria of FSEC Standard 101-15 ~~401-10~~, ~~FSEC Standard 103-10~~, “Operation of the Solar Thermal Systems Certification Program” ~~(September–December 2015)~~ (January 2010), ~~incorporated herein by reference~~, or FSEC Standard 201-10, “Operation of the Photovoltaic Equipment Certification Program”, incorporated herein by reference, whichever is applicable. The Center may refuse to accept test results from other testing organizations which do not meet these criteria.

*Rulemaking Authority 377.705, 1001.74 FS. Law Implemented 377.705, 1001.74 FS. History—New 5-5-10. Amended*



**ITEM: INFO-1**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** Technology Fee Report

**DATE:** March 2, 2016

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For information only.

Attachment A: Technology Fee Award Summary

Finance and Facilities Committee - New Business

Attachment A

Technology Fee Award Summary

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Cumulative Total	Cumulative Total Awarded per College/Unit
Proposals Submitted	68	56	67	72	77	68	96	504	
Proposal Types Requested									
<i>Student-facing</i>	68	41	40	49	59	55	79	391	
<i>Faculty-facing</i>	0	0	5	1	4	4	4	18	
<i>Infrastructure</i>	0	15	22	22	14	9	13	95	
Total Budget Requested	\$ 16,066,574	\$ 10,595,071	\$ 16,953,642	\$ 19,575,003	\$ 15,250,407	\$ 12,698,378	\$ 13,061,820	\$ 104,200,895	
Proposals Funded	39	43	48	38	38	61	79	346	
Proposal Types Funded									
<i>Student-facing</i>	39	28	30	23	23	48	68	259	
<i>Faculty-facing</i>	0	0	3	0	2	4	1	10	
<i>Infrastructure</i>	0	15	15	15	13	9	10	77	
Total Budget Funded	\$ 6,421,193	\$ 6,454,332	\$ 8,599,501	\$ 9,171,274	\$ 9,148,271	\$ 9,030,711	\$ 8,506,537	\$ 57,331,820	
<b>Colleges or Units: Awarded - Requested</b>									
Academic Affairs	0 of 0	0 of 1	0 of 0	0 of 1	1 of 1	0 of 0	0 of 0	1 of 3	\$ 96,993
Burnett Honors College	3 of 3	0 of 0	1 of 1	0 of 2	0 of 0	1 of 1	1 of 1	6 of 8	\$ 628,462
College of Arts and Humanities	5 of 5	6 of 7	7 of 10	4 of 7	6 of 6	10 of 10	18 of 22	56 of 67	\$ 4,080,979
College of Business Administration	1 of 1	0 of 1	1 of 1	1 of 2	0 of 0	1 of 1	1 of 1	5 of 7	\$ 1,196,275
College of Education and Human Performance	7 of 9	3 of 4	9 of 11	7 of 11	2 of 21	10 of 13	6 of 10	44 of 79	\$ 4,906,490
College of Electrical Engineering and Computer Science	4 of 10	2 of 4	5 of 9	2 of 3	3 of 5	5 of 6	5 of 6	26 of 43	\$ 5,043,442
College of Graduate Studies	0 of 0	1 of 1	1 of 1	0 of 1	1 of 1	0 of 0	1 of 1	4 of 5	\$ 226,425
College of Health and Public Affairs	1 of 1	2 of 3	1 of 3	1 of 4	1 of 4	4 of 4	3 of 4	13 of 23	\$ 3,506,387
College of Medicine	0 of 0	0 of 0	1 of 1	1 of 5	1 of 3	3 of 4	2 of 3	8 of 16	\$ 649,925
College of Nursing	0 of 1	1 of 1	1 of 1	2 of 2	0 of 0	1 of 1	3 of 3	8 of 9	\$ 718,153
College of Optics and Photonics	0 of 0	2 of 2	1 of 1	2 of 2	0 of 0	2 of 2	1 of 1	8 of 8	\$ 1,130,357
College of Sciences	5 of 6	5 of 7	6 of 8	4 of 8	6 of 11	5 of 6	19 of 20	50 of 66	\$ 9,447,009
Information Technologies and Resources	10 of 13	10 of 11	8 of 10	7 of 13	13 of 17	7 of 8	12 of 13	67 of 85	\$ 17,183,520
Office of Research and Commercialization	0 of 2	0 of 0	0 of 0	0 of 0	0 of 0	1 of 1	0 of 0	1 of 3	\$ 531,461
Office of the President	0 of 0	0 of 0	0 of 0	0 of 0	0 of 0	1 of 1	1 of 1	2 of 2	\$ 370,000
Regional Campuses	0 of 2	5 of 6	2 of 3	5 of 6	2 of 4	5 of 5	4 of 5	23 of 31	\$ 4,734,744
Rosen College of Hospitality Management	2 of 6	1 of 2	1 of 1	0 of 0	1 of 1	1 of 1	1 of 1	7 of 12	\$ 1,758,602
Student Development and Enrollment Services	1 of 7	4 of 5	3 of 6	2 of 5	1 of 3	4 of 4	1 of 4	16 of 34	\$ 1,061,021
Office of Undergraduate Studies	0 of 2	1 of 1	0 of 0	0 of 0	0 of 0	0 of 0	0 of 0	1 of 3	\$ 61,575
<b>Cumulative Total</b>									<b>\$ 57,331,820</b>

**ITEM: INFO-2**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** Equipment Fees for 2016-17

**DATE:** March 2, 2016

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For information only.

Attachment A: New and Revised Undergraduate and Graduate  
Equipment Fees for 2016-17

Attachment B: Equipment Fees

## Attachment A

**New and Revised Undergraduate and Graduate Equipment Fees for 2016-17**

<b>Program</b>	<b>New or Revised</b>	<b>2015 Fee Full-Time</b>	<b>2016 Fee Full-Time</b>	<b>Change from 2015</b>	<b>Notes</b>
<b>UNDERGRADUATE</b>					
Digital Media B.A.	Revised	\$90	\$33	-\$57	
Advertising-Public Relations B.A.	Revised	\$44	\$30	-\$14	
Health Informatics and Information Management B.S.	Revised	\$30	\$0	-\$30	Equipment Fee eliminated.
Communication Sciences and Disorders B.A./B.S.	Revised	\$35	\$20	-\$15	
<b>GRADUATE</b>					
<b>There were no modifications or newly approved equipment fees for graduate programs for 2016-17.</b>					

# Finance and Facilities Committee - New Business

Attachment B

## Equipment Fees

This file contains cumulative equipment fees since 2007-08. Those programs highlighted in orange were modifications for 2016-17 and start with Fall 2016.

### College of Arts and Humanities

<u>Undergraduate</u>	
<b>Architecture B.D.</b>	
Equipment	27" monitors and other computer-related equipment, docking stations, large format plotters, ethernet switch, lab license.
Amount:	\$6,300.00 per semester
Full-time:	70 Part-time: 0
Full-time:	\$90.00 Part-time: \$45.00
<b>Art B.A. and Art B.F.A.</b>	
Equipment	Replace or repair electronic hardware, traditional studio art equipment, and computer software for art history, ceramics, 3-D design, drawing, painting, photography, sculpture, art animation, and printmaking classes.
Amount:	\$12,285.00 per semester
Full-time:	134 Part-time: 122
Full-time:	\$63.00 Part-time: \$31.50
<b>Digital Media B.A.</b>	
Equipment	Maintain or replace equipment used in service of student learning for aging or outdated equipment, upgrades of software, and licensing fees.
Amount:	\$23,034.00 per semester
Full-time:	540 Part-time: 316
Full-time:	\$33.00 Part-time: \$16.50
<b>Cinema Studies B.A., Film B.F.A., and World Cinema B.A.</b>	
Equipment	Purchase, maintain, and replace cameras, lights, light stands, video desks, and similar equipment.
Amount:	\$10,800.00 per semester
Full-time:	120 Part-time: 0
Full-time:	\$90.00 Part-time: \$45.00
<b>Music B.A., Music B.M.E., Music B.M.</b>	
Equipment	Maintain piano; and maintain and replace wind, brass, string, and percussion instruments.
Amount:	\$24,525.00 per semester
Full-time:	234 Part-time: 77
Full-time:	\$90.00 Part-time: \$45.00
<b>Theatre B.A. and Theatre B.F.A.</b>	
Equipment	Maintain and replace equipment for the theatre-computer lab, design studio, scene shop, mainstage, blackbox, box office, rehearsal studios, costume shop, dance studios, and production vehicles.
Amount:	\$33,300.00 per semester
Full-time:	350 Part-time: 40
Full-time:	\$90.00 Part-time: \$45.00
<b>Photography B.S.</b>	
Equipment	Purchase, maintain, and replace computers, large and small format printers, and cameras, lenses, and tripods.
Amount:	\$3,960.00 per semester
Full-time:	24 Part-time: 40
Full-time:	\$90.00 Part-time: \$45.00

<u>Graduate</u>	
<b>Studio Art and Computer M.F.A.</b>	
Equipment	Purchase graphic design computers and software, printer, videocamera, digital camera, software, including adobe creative suite and macromedia dreamweaver.
Amount:	\$2,430.00 per semester
Full-time:	27 Part-time: 0
Full-time:	\$90.00 Part-time: \$45.00
<b>Music M.A.</b>	
Equipment	Maintain piano; and maintain and replace wind, brass, string, and percussion instruments.
Amount:	\$855.00 per semester
Full-time:	7 Part-time: 5
Full-time:	\$90.00 Part-time: \$45.00

# Finance and Facilities Committee - New Business

## College of Business Administration

Undergraduate	
Finance B.S. and Real Estate B.S.	
Equipment	Equip, maintain, and staff six computer-testing laboratories. License and maintenance for Bloomberg terminals.
Amount:	\$67,125.00 per semester
Full-time:	1,129
Full-time:	\$50.00
Part-time:	427
Part-time:	\$25.00
Business Administration: Accounting B.S.B.A., Business Economics B.S.B.A., Economics B.A., Integrated Business B.S.B.A., Management B.S.B.A., Marketing B.S.B.A.	
Equipment	Equip, maintain, and staff six computer-testing laboratories.
Amount:	\$172,035.00 per semester
Full-time:	4,154
Full-time:	\$30.00
Part-time:	3,161
Part-time:	\$15.00

Graduate

## College of Education

## Undergraduate

<b>Elementary Education B.S.</b>	
Equipment	Use of TeachLive classroom simulation program.
Amount:	\$18,564.00 per semester
Full-time:	1,447                      Part-time: 200
Full-time:	\$12.00                      Part-time: \$6.00
<b>All Secondary Education Degrees (Art Ed, Language Arts, Math Ed, Foreign Language Ed, Science Ed, and Social Studies Ed)</b>	
Equipment	Use of TeachLive classroom simulation program.
Amount:	\$10,440.00 per semester
Full-time:	400                      Part-time: 70
Full-time:	\$24.00                      Part-time: \$12.00

## Graduate

Educational Leadership M.Ed.			
Equipment	Services of three technicians for the TeachLivE and TeachAARS simulator as well as equipment replacement.		
Amount:	\$1,920	per semester	
Full-time:	0	Part-time:	120
Full-time:	\$32.00	Part-time:	\$16.00
School Psychology Ed.S.			
Equipment	Purchase and maintain intelligence, achievement, process, and adaptive test instruments that will be used for 10 years.		
Amount:	\$3,870.00	per semester	
Full-time:	43	Part-time:	0
Full-time:	\$90.00	Part-time:	\$45.00
All Teacher Education M.A.T. programs			
Equipment	Use of TeachLivE and TeachAARS classroom simulator as well as equipment replacement.		
Amount:	\$3,200.00	per semester	
Full-time:	0	Part-time:	100
Full-time:	\$64.00	Part-time:	\$32.00

**College of Engineering and Computer Science**

## Undergraduate

<b>Civil Engineering B.S.C.E. and Construction Engineering B.S.Con.E.</b>	
Equipment	Purchase, maintain, and replace equipment as presented in the schedule for the Geotechnical Labs, Measurements Lab, Structures Lab, Hydraulics Lab, and Computer Lab.
Amount:	\$47,102.00 per semester
Full-time:	456
Part-time:	194
Full-time:	\$85.00
Part-time:	\$43.00

## Graduate

<b>Aerospace Engineering M.S.A.E.</b>			
Equipment	Purchase and maintain subsonic wind tunnel, supersonic wind tunnel, helicopter experiment sets, bench top heat exchanger, volumetric hydraulic bench, and modal analysis experiment stations.		
Amount:	\$1,170.00	per semester	
Full-time:	5	Part-time:	16
Full-time:	\$90.00	Part-time:	\$45.00
<b>Civil Engineering M.S.</b>			
Equipment	Purchase and maintain triaxial apparatus bench, triaxial permeability apparatus, gradient ratio permeameter, vibratory table, relative density mold, gyratory compactor, hush pump, and hydraulic distribution jacks, and other pieces of equipment.		
Amount:	\$896.00	per semester	
Full-time:	30	Part-time:	52
Full-time:	\$16.00	Part-time:	\$8.00
<b>Civil Engineering M.S.C.E.</b>			
Equipment	Purchase and maintain gas spectrometer, electrokinetic analyzer, recirculating chiller, spectrofluorometer, turbidimeter, freeze dryer, pH control unit, oxygen meter, exhaust condenser, and refrigerated incubator, and other pieces of equipment.		
Amount:	\$216.00	per semester	
Full-time:	5	Part-time:	17
Full-time:	\$16.00	Part-time:	\$8.00

<b>Computer Science B.S.</b>	
Equipment	Purchase, maintain, and replace equipment as presented in the schedule for Harris Engineering Center Programming Laboratories and Harris Engineering Center Network and Problem Solving Laboratory.
Amount:	\$46,970.00 per semester
Full-time:	602 Part-time: 452
Full-time:	\$57.00 Part-time: \$28.00
<b>Computer Engineering B.S.Cp.E.</b>	
Equipment	Purchase, maintain, and replace equipment as presented in the schedule for Probe Station Lab, Microelectronics Lab, Computing Systems Lab, Evaluation, Proficiency, and Test Center, Medical Robotics Lab, Smart Lab, Characterization Lab, Senior Design Lab, RF and Microwave Lab, Signals and Communications Lab, and Electronics Lab.
Amount:	\$55,608.00 per semester
Full-time:	562 Part-time: 200
Full-time:	\$84.00 Part-time: \$42.00
<b>Electrical Engineering B.S.E.E.</b>	
Equipment	Purchase, maintain, and replace equipment as presented in the schedule for Probe Station Lab, Microelectronics Lab, Computing Systems Lab, Evaluation, Proficiency, and Test Center, Medical Robotics Lab, Smart Lab, Characterization Lab, Senior Design Lab, RF and Microwave Lab, Signals and Communications Lab, and Electronics Lab.
Amount:	\$58,410.00 per semester
Full-time:	504 Part-time: 290
Full-time:	\$90.00 Part-time: \$45.00
<b>Environmental Engineering B.S.Env.E.</b>	
Equipment	Purchase, maintain, and replace equipment as presented in the schedule for the Environmental Process Lab, Chemical and Biological Process Lab, Computer Lab, Geotechnical Lab, and Hydraulics Lab.
Amount:	\$17,128.00 per semester
Full-time:	164 Part-time: 65
Full-time:	\$87.00 Part-time: \$44.00

<b>Civil Engineering Ph.D.</b>	
Equipment	Purchase asphalt testing machine, ovens, load test machine, centrifugal pump, water tank and pump, turbine system, and venturi meter, among other items to support the Hydraulics, Hydrology, Structures, and Geotechnical and Pavement Laboratories.
Amount:	\$616.00 per semester
Full-time:	33 Part-time: 11
Full-time:	\$16.00 Part-time: \$8.00
<b>Computer Science M.S. and Ph.D.</b>	
Equipment	Purchase and maintain workstations, high volume printer, servers, network switches, and routers for the Programming Laboratory and the Network and Problem Solving Laboratory.
Amount:	\$6,647.00 per semester
Full-time:	176 Part-time: 39
Full-time:	\$34.00 Part-time: \$17.00
<b>Computer Engineering M.S.Cp.E and Ph.D.</b>	
Equipment	Purchase and maintain proto-boards, resistor and capacitor substitutional boxes, network printers, PCs, and other pieces of equipment.
Amount:	\$1,960.00 per semester
Full-time:	55 Part-time: 30
Full-time:	\$28.00 Part-time: \$14.00
<b>Digital Forensics M.S.</b>	
Equipment	Purchase and maintain switches, routers, forensic tool kit, forensic target hard drives, and PCs.
Amount:	\$5,371.00 per semester
Full-time:	16 Part-time: 99
Full-time:	\$82.00 Part-time: \$41.00
<b>Electrical Engineering M.S.E.E. and Ph.D.</b>	
Equipment	Purchase and maintain computers, digitizing oscilloscopes, power supplies, logic analyzers, meters, soldering stations, function generators, and other pieces of equipment.
Amount:	\$16,155.00 per semester
Full-time:	152 Part-time: 55
Full-time:	\$90.00 Part-time: \$45.00
<b>Environmental Engineering M.S.Env.E.</b>	
Equipment	Purchase and maintain turbidimeter, spectrometer, conductivity meter, pH meters, gas chromatograph, meters, and process control labs.
Amount:	\$352.00 per semester
Full-time:	13 Part-time: 18
Full-time:	\$16.00 Part-time: \$8.00
<b>Environmental Engineering Ph.D.</b>	
Equipment	Purchase and maintain turbidimeter, spectrometer, conductivity meter, pH meters, gas chromatograph, meters, and process control labs.
Amount:	\$160.00 per semester
Full-time:	9 Part-time: 2
Full-time:	\$16.00 Part-time: \$8.00



# Finance and Facilities Committee - New Business

<b>Industrial Engineering B.S.I.E.</b>	
Equipment	Purchase, maintain, and replace equipment for the Metrology Laboratory, Facilities and Work Design Laboratory, Ergonomics Laboratory, and Senior Design Laboratory.
Amount:	\$15,720.00 per semester
Full-time:	340
Full-time:	\$40.00
Part-time:	106
Part-time:	\$20.00
<b>Information Technology B.S.</b>	
Equipment	Purchase, maintain, and replace equipment as presented in the schedule for Harris Engineering Center Programming Laboratories and Harris Engineering Center Network and Problem Solving Laboratory.
Amount:	\$20,663.00 per semester
Full-time:	285
Full-time:	\$47.00
Part-time:	316
Part-time:	\$23.00
<b>Aerospace Engineering B.S.A.E. AND Mechanical Engineering B.S.A.E.</b>	
Equipment	Purchase, maintain, and replace equipment for the Materials Characterization Laboratory, Mechanical Testing Laboratory, Measurements and Fluid Mechanics Laboratory, Computational Mechanics Laboratory, Thermo-Mechanical Measurement Laboratory, Dynamics and Controls Laboratory, and the Wind Tunnel.
Amount:	\$196,290.00 per semester
Full-time:	1,866
Full-time:	\$90.00
Part-time:	630
Part-time:	\$45.00

<b>Environmental Sciences M.S.</b>	
Equipment	Purchase and maintain turbidimeter, spectrometer, conductivity meter, pH meters, gas chromatograph, meters, and process control labs.
Amount:	\$32.00 per semester
Full-time:	1
Full-time:	\$16.00
Part-time:	2
Part-time:	\$8.00
<b>Industrial Engineering M.S.</b>	
Equipment	Purchase and maintain micrometers, calipers, multiplexer, vibrometry meters, and PCs.
Amount:	\$4,698.00 per semester
Full-time:	41
Full-time:	\$58.00
Part-time:	80
Part-time:	\$29.00
<b>Industrial Engineering M.S.I.E.</b>	
Equipment	Purchase and maintain molding machines, sanders and grinders, saws, CAD stations, coordinate and roughness measuring instruments, stereolithography machine, thermojet rapid prototyping machine, and vibrometry meters.
Amount:	\$1,131 per semester
Full-time:	11
Full-time:	\$58.00
Part-time:	17
Part-time:	\$29.00
<b>Industrial Engineering Ph.D.</b>	
Equipment	Purchase and maintain micrometers, calipers, multiplexer, vibrometry meters, and PCs.
Amount:	\$3,335.00 per semester
Full-time:	39
Full-time:	\$58.00
Part-time:	37
Part-time:	\$29.00
<b>Materials Science and Engineering M.S.M.S.E. and Ph.D.</b>	
Equipment	Purchase and maintain Electron microscope, JEOL 1010 TEM, and Rigaku II X-ray diffraction equipment.
Amount:	\$799.00 per semester
Full-time:	43
Full-time:	\$17.00
Part-time:	8
Part-time:	\$8.50
<b>Mechanical Engineering M.S.M.E.</b>	
Equipment	Purchase and maintain strain gauge module, thermal module, flow benches, heat exchangers, robot kits, and oscilloscopes.
Amount:	\$2,655.00 per semester
Full-time:	14
Full-time:	\$90.00
Part-time:	31
Part-time:	\$45.00
<b>Mechanical Engineering Ph.D.</b>	
Equipment	Purchase and maintain strain gauge module, thermal module, flow benches, heat exchangers, robot kits, and oscilloscopes.
Amount:	\$3,645.00 per semester
Full-time:	38
Full-time:	\$90.00
Part-time:	5
Part-time:	\$45.00

College of Health and Public Affairs

Undergraduate

Athletic Training B.S.	
Equipment	Purchase Plinth Treatment Tables, desk-height chairs with casters, Electrical Stimulation and Ultrasound Combination Unit, Nebulizer, Datatherm II (Thermometer), Airway Larry, PowerHeart AED Trainer, helmets for spinal injury, specialty camera, Hydroculator.
Amount:	\$2,184.00 per semester
Full-time:	56
Part-time:	0
Full-time:	\$39.00
Part-time:	\$19.50
Communication Sciences and Disorders B.A. and B.S.	
Equipment	Purchase and maintain voice analysis software and associate hardware, anatomical models of auditory systems, video otoscopes with computers and software, interactive software anatomical models.
Amount:	\$13,500.00 per semester
Full-time:	600
Part-time:	150
Full-time:	\$20.00
Part-time:	\$10.00
Health Information Management B.S.*	
Equipment	
Amount:	\$0 per semester
Full-time:	22
Part-time:	13
Full-time:	\$0.00
Part-time:	\$0.00
* Fee eliminated	
Health Sciences - Athletic Training B.S.	
Equipment	Purchase and maintain ultrasound and electrical stimulation equipment, biograph monitoring system, and calibration hardware.
Amount:	\$727.50 per semester
Full-time:	39
Part-time:	19
Full-time:	\$15.00
Part-time:	\$7.50

Graduate

Communication Sciences and Disorders M.A.	
Equipment	Purchase spirometers, sensimetrics, headphones, multi-speech and multi-voice profiles, speech-science laboratory computers, anatomical models, software for phonetic transcription, portable audiometers, portable tympanometers, otoscopes, digitized
Amount:	\$16,830.00 per semester
Full-time:	173
Part-time:	28
Full-time:	\$90.00
Part-time:	\$45.00
Physical Therapy D.P.T.	
Equipment	Purchase metabolic cart, traction equipment, electronic treatment tables, electrical stimulation equipment, ultrasound equipment, EMG nerve conduction velocity testing, diathermy equipment, evoked potential testing equipment, exercise bicycles, and treadmills.
Amount:	\$5,940.00 per semester
Full-time:	66
Part-time:	0
Full-time:	\$90.00
Part-time:	\$45.00

# Finance and Facilities Committee - New Business


Public Affairs Ph.D.	
Equipment	Purchase software MPLUS, DTREG, and GIS; maintain lab and computer equipment.
Amount:	\$2,580.00 per semester
Full-time:	49
Full-time:	\$40.00
Part-time:	31
Part-time:	\$20.00
Social Work M.S.W.	
Equipment	Purchase digital video cameras with tripods, video monitors, computer workstations, and DVD, DVR, and VHS players.
Amount:	\$6,055.00 per semester
Full-time:	123
Full-time:	\$35.00
Part-time:	100
Part-time:	\$17.50

## Rosen College of Hospitality Management

Undergraduate	
Event Management B.S., Hospitality Management B.S., and Restaurant and Foodservice Management B.S.	
Equipment	Maintain kitchen and bar laboratories, as well as theater sound and light system.
Amount:	\$129,037.50 per semester
Full-time:	1,578
Full-time:	\$75.00
Part-time:	285
Part-time:	\$37.50

Graduate	

## College of Nursing

Undergraduate	
Nursing B.S.N.	
Equipment	Purchase adult manikins, AED simulator, audioscope, blood pressure simulator, catheters, doppler, enteric feeding equipment, child manikins, human patient simulator, hydraulic transfer stretcher, IV pump, incentive spirometer, METI simulation warranty, nursing baby VitaSim, prostate palpation model, Saunders physical exam and health assessment, suction machines, torso models, VitaSim control unit, Welch Allyn transformer, and wound care model kit.
Amount:	\$23,775.00 per semester
Full-time:	355
Full-time:	\$50.00
Part-time:	241
Part-time:	\$25.00

Graduate	
Nursing M.S.N. and Ph.D.	
Equipment	Purchase abdominal palpitation model, auscultation training simulator, cervical effacement and dilation model and board, ear model, empathy belly pregnancy simulator, fetal monitoring and labor progression model, human patient simulator, knee injection model, uterine fetal development models, birthing simulator manikins, pelvic exam simulator model, spinal injection simulator, shoulder injection model, and other equipment.
Amount:	\$16,425.00 per semester
Full-time:	84
Full-time:	\$90.00
Part-time:	197
Part-time:	\$45.00
Doctor of Nursing Practice	
Equipment	Purchase dynamic airway and lung compliance simulator, airway trainer, life pack defibrillator, chest tube manikin, lumbar puncture trainer, slit lamp, human chest simulators, simulator software upgrades, and chest tube and lumbar puncture trainer repair.
Amount:	\$6,705.00
Full-time:	23
Full-time:	\$90.00
Part-time:	103
Part-time:	\$45.00

College of Optics and Photonics

Photonic Science and Engineering B.S.P.S.E.	
Equipment	Oscilloscopes, grating spectrometer, data acquisition computers with A/D cards, optical power meters, telecommunications laser diodes, erbium doped fiber amplifiers, and fiber fusion splicer.
Amount:	\$2,400.00 per semester
Full-time:	40 Part-time: 0
Full-time:	\$60.00 Part-time: \$30.00

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College of Sciences

Undergraduate

Biology B.S.	
Equipment	Maintain and replace lab equipment across 15 different courses.
Amount:	\$87,621.10 per semester
Full-time:	1495 Part-time: 536
Full-time:	\$49.70 Part-time: \$24.85
Chemistry B.S. and Forensic Science B.S.	
Equipment	Purchase equipment upgrades, replacements, and service contracts for magnetic resonance spectrometer, gas mass spectrometer, infrared spectrometer, liquid chromatography system, infrared microscope system, and optical light microscopes.
Amount:	\$43,965.00 per semester
Full-time:	424 Part-time: 129
Full-time:	\$90.00 Part-time: \$45.00

Graduate

Chemistry M.S.	
Equipment	Maintain and upgrade two high-field nuclear magnetic spectrometers, two infrared spectrometers, two gas chromatography and mass spectrometers, UV-visible spectrophotometers, thermal and mechanical analysis instrumentation, scanning probe microscope, and confocal and polarized light microscopy equipment.
Amount:	\$405.00 per semester
Full-time:	1 Part-time: 7
Full-time:	\$90.00 Part-time: \$45.00
Chemistry Ph.D.	
Equipment	Maintain and upgrade two high-field nuclear magnetic spectrometers, two infrared spectrometers, two gas chromatography/mass spectrometers, UV-visible spectrophotometers, thermal and mechanical analysis instrumentation, scanning probe microscope, and confocal and polarized light microscopy equipment.
Amount:	\$5,310.00 per semester
Full-time:	58 Part-time: 2
Full-time:	\$90.00 Part-time: \$45.00
Communication M.A.	
Equipment	Purchase and maintain software licenses for 23 computers.
Amount:	\$2,240.00 per semester
Full-time:	97 Part-time: 86
Full-time:	\$16.00 Part-time: \$8.00

Advertising and Public Relations B.A.	
Equipment	Purchase and maintain computers and software for two computer and testing laboratories.
Amount:	\$14,535.00 per semester
Full-time:	435 Part-time: 99
Full-time:	\$30.00 Part-time: \$15.00
Journalism B.A.	
Equipment	Purchase and maintain computers, scanners, and software for two computer and testing laboratories.
Amount:	\$18,480.00 per semester
Full-time:	326 Part-time: 188
Full-time:	\$44.00 Part-time: \$22.00

# Finance and Facilities Committee - New Business

Radio-Television B.A.	
Equipment	Purchase and maintain cameras, tape decks, video server, video switcher, effects generator, light board, video monitor, audio decks, newsroom computers, video edit stations, graphic workstations, microphones, and headphones.
Amount:	\$33,210.00 per semester
Full-time:	280 Part-time: 178
Full-time:	\$90.00 Part-time: \$45.00
Physics B.S.	
Equipment	Purchase and maintain atomic force microscope, lock-in amplifier, advanced ultrasonic lab instruments.
Amount:	\$2,690.80 per semester
Full-time:	94 Part-time: 29
Full-time:	\$24.80 Part-time: \$12.40
Psychology B.A. and B.S.	
Equipment	Purchase license renewals and computers for teaching laboratory, computer maintenance, projector replacement, and other equipment.
Amount:	\$78,884.00 per semester
Full-time:	2,659 Part-time: 750
Full-time:	\$26.00 Part-time: \$13.00
Social Sciences: International and Global Studies B.A., Political Science B.A. and Sociology B.A.	
Equipment	Maintain joint-use computer laboratory equipment and software.
Amount:	\$12,490.00 per semester
Full-time:	Part-time:
Political Sci: 655	Political Sci: 215
Sociology: 178	Sociology: 126
Int and Glo St: 222	Int and Glo St: 47
Full-time:	Part-time:
Political Sci: \$10.00	Political Sci: \$5.00
Sociology: \$10.00	Sociology: \$5.00
Int and Glo St: \$10.00	Int and Glo St: \$5.00

Forensic Science M.S.	
Equipment	Maintain and upgrade two high-field nuclear magnetic spectrometers, two infrared spectrometers, two gas chromatography and mass spectrometers, UV-visible spectrophotometers, thermal and mechanical analysis instrumentation, scanning probe microscope, and confocal and polarized light microscopy equipment.
Amount:	\$720.00 per semester
Full-time:	5 Part-time: 6
Full-time:	\$90.00 Part-time: \$45.00
Political Science M.A.	
Equipment	Maintain and upgrade 17 lab computers, five printers, licenses, and security camera. Fees are distributed among multiple laboratories.
Amount:	\$1,423.50 per semester
Full-time:	23 Part-time: 27
Full-time:	\$39.00 Part-time: \$19.50

## Finance and Facilities Committee - New Business


### College of Medicine

#### Undergraduate

Molecular Biology and Microbiology B.S., Biotechnology B.S., Medical Laboratory Sciences B.S.	
Equipment	Purchase and maintain equipment used in labs. Requesting only 80 percent because some courses serve non-majors.
Amount:	\$138,567 per semester
Full-time:	1,626                      Part-time: 301
Full-time:	\$78.00                      Part-time: \$39.00

#### Graduate

Doctor of Medicine	
Equipment	Purchase laptop, mobile device, and access to and use of two multi-function printers.
Amount:	\$60,701.00 per year
Full-time:	101                      Part-time: 0
Full-time:	\$601.00                      Part-time: \$0.00

### The Burnett Honors College

#### Undergraduate

Burnett Honors College	
Equipment	Purchase and maintain computers, monitors, scanners, printers, video cameras, software, and associated items.
Amount:	\$59,500 per semester
Full-time:	1,700                      Part-time: 0
Full-time:	\$35.00                      Part-time: \$17.50

#### Graduate

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### College of Graduate Studies

#### Graduate


Modeling and Simulation M.S.	
Equipment	Purchase and maintain SMART board, HD video camera, LCD projector, computer, video conference system, and associated items.
Amount:	\$837 per semester
Full-time:	18                      Part-time: 26
Full-time:	\$27.00                      Part-time: \$13.50
Modeling and Simulation Ph.D.	
Equipment	Purchase and maintain SMART board, HD video camera, LCD projector, computer, video conference system, and associated items.
Amount:	\$1,661 per semester
Full-time:	42                      Part-time: 39
Full-time:	\$27.00                      Part-time: \$13.50

**ITEM: INFO-3**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** UCF Investments Quarterly Report Ended December 31, 2015

**DATE:** March 2, 2016

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For information only.

Attachment A: UCF Investments Quarterly Report  
Ended December 31, 2015

Attachment A

University of Central Florida  
Total Operating Portfolio Summary<sup>(1)</sup>  
As December 31, 2015

Cash & Non-Investment Portfolio	6/30/2015 Reported Value	9/30/2015 Reported Value
Bank of America	\$9,840,495	\$2,200,735
CNL - Money Market	\$5,008	\$5,008
SPIA	\$296,638,124	\$412,012,879
UCF Parking Bonds (SPIA)	\$1,026,647	\$886,950
UCF Housing Bonds (SPIA)	\$279,531	\$275,963
<b>Total Cash &amp; Non-Investment Portfolio</b>	<b>\$307,789,806</b>	<b>\$415,381,535</b>

12/31/2015 Reported Value
\$13,259,126
\$5,009
\$322,396,004
\$807,928
\$173,616
<b>\$336,641,684</b>

Structured Investment Portfolio (BNY)	6/30/2015 Market Value	9/30/2015 Market Value	3rd Quarter Gain/(Loss)	12/31/2015 Market Value	4th Quarter Gain/(Loss)	Inception Gain/(Loss) <sup>(2)</sup>
<b>Pool I</b>	<b>\$29,992,981</b>	<b>\$29,989,988</b>	<b>\$756</b>	<b>\$29,988,862</b>	<b>\$748</b>	<b>\$33,948</b>
<b>Pool II</b>	<b>\$20,201,710</b>	<b>\$20,233,346</b>	<b>\$40,097</b>	<b>\$20,218,207</b>	<b>(\$8,506)</b>	<b>\$357,740</b>
Fixed Income (Pool III) <sup>(3)</sup>	\$101,513,224	\$102,035,870	\$561,404	\$101,635,064	(\$370,720)	\$9,236,118
Domestic Equity (Pool III)	\$20,065,462	\$18,771,872	(\$1,293,590)	\$20,094,691	\$1,322,819	\$10,196,927
<b>Total Pool III</b>	<b>\$121,578,686</b>	<b>\$120,807,742</b>	<b>(\$732,186)</b>	<b>\$121,729,755</b>	<b>\$952,099</b>	<b>\$19,433,045</b>
Fixed Income (Pool IV) <sup>(4)</sup>	\$25,185,874	\$25,409,353	\$243,047	\$25,339,673	(\$57,044)	\$4,659,911
Domestic Equity (Pool IV)	\$39,386,456	\$36,847,269	(\$2,539,187)	\$39,443,829	\$2,596,560	\$20,421,635
International Equity (Pool IV)	\$10,126,036	\$9,128,912	(\$997,124)	\$9,398,404	\$269,492	\$1,738,707
<b>Total Pool IV</b>	<b>\$74,698,366</b>	<b>\$71,385,534</b>	<b>(\$3,293,264)</b>	<b>\$74,181,906</b>	<b>\$2,809,008</b>	<b>\$26,820,253</b>
<b>Total Structured Investment Portfolio</b>	<b>\$246,471,743</b>	<b>\$242,416,610</b>	<b>(\$3,984,597)</b>	<b>\$246,118,730</b>	<b>\$3,753,349</b>	<b>\$46,644,987</b>

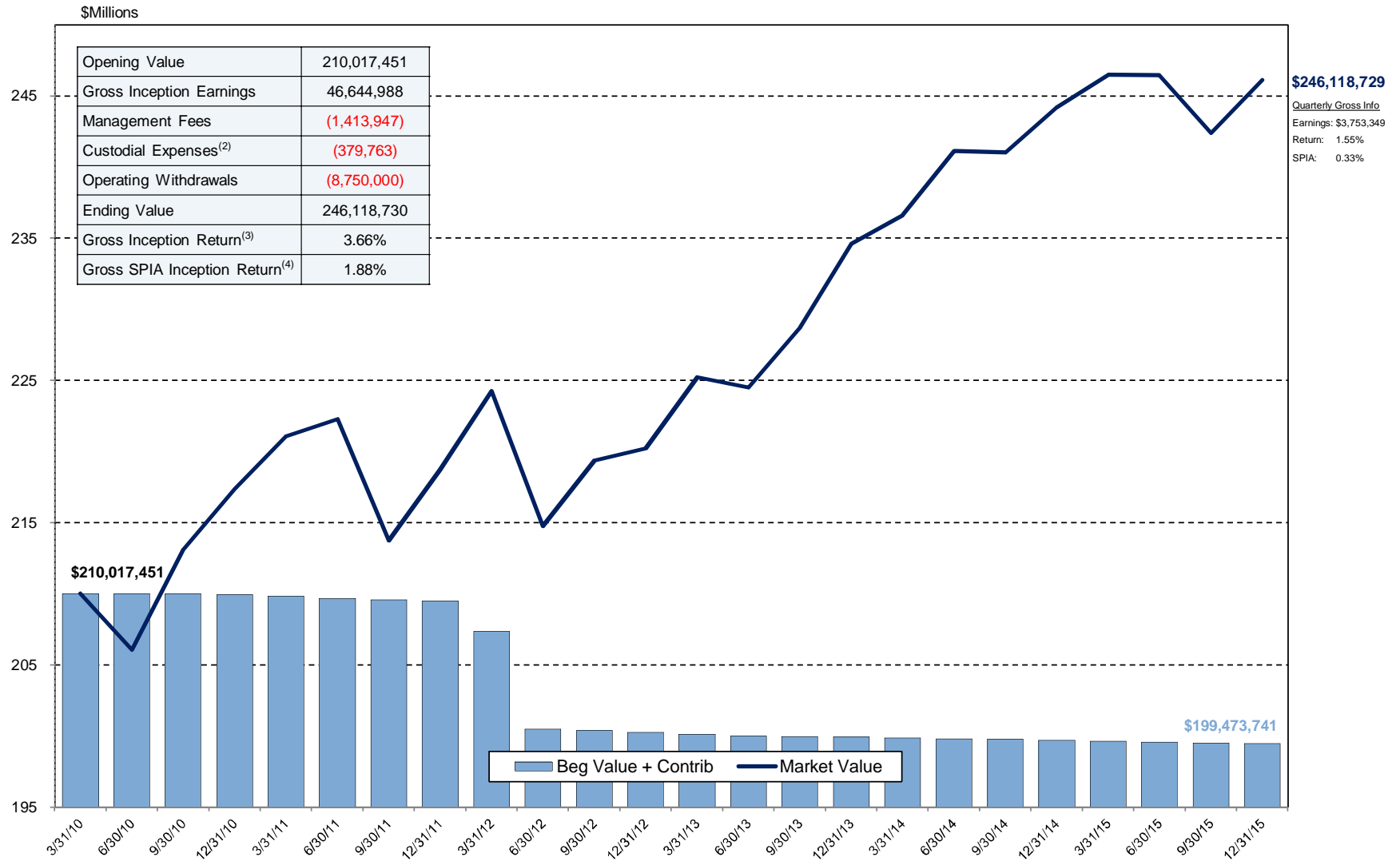
<b>Total Operating Portfolio</b>	<b>\$554,261,549</b>	<b>\$657,798,145</b>
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<b>\$582,760,414</b>
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1. The portfolio gain/(loss) data is presented gross of management fees and portfolio expenses but net of physical cash flows.  
2. The inception date for analysis is 3/31/10. The actual funding of the various portfolios occurred during March 2010.  
3. Pool III's fixed Income market value includes the \$4,998 cash balance held in the Pool III mutual fund account.  
4. Pool IV's fixed Income market value includes the \$15,399 cash balance held in the Pool IV mutual fund account.



University of Central Florida  
Structured Investment Portfolio vs. Net Contributions<sup>(1)</sup>  
As of December 31, 2015



1. Net contributions include cash flows associated with management fees, portfolio expenses and physical cash flows  
2. Custodial expense figure is reduced by commission recapture income received  
3. Annualized performance number. Net of management fees inception earnings = \$45,231,041. Net inception return = 3.54%  
4. The gross SPIA inception return corresponds with the 3/31/10 inception of UCF's investment portfolio. Net inception SPIA return = 1.76%

University of Central Florida  
**Structured Investment Portfolio Investment Policy Compliance Checklist<sup>(1)</sup>**  
 As December 31, 2015

Pool I:	Yes	No	N/A
Investments limited to registered 2a-7 mutual funds, CDARS, and or/SPIA.	✓		

Pool II:	Yes	No	N/A
All fixed income investments shall maintain a minimum rating of "A-" or higher by a major credit rating service.	✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "AA+" or higher.	✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the Merrill Lynch 1-Year Treasury index by 25%.	✓		
The maximum average effective maturity of any single security shall not exceed 3 years.	✓		
Operating Pool II shall maintain a dollar-weighted average effective maturity of 1 years or less.	✓		

Pool III Equity:	Yes	No	N/A
Investments in equity securities shall not exceed twenty percent (20%) of the market value of Operating Pool III's assets.	✓		

Pool III Fixed:	Yes	No	N/A
All fixed income investments shall maintain a minimum rating of "A-" or higher by a major credit rating service.	✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "AA-" or higher.	✓		
The duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.	✓		
Operating Pool III shall maintain a dollar-weighted average effective maturity of 7 years or less.	✓		

Pool IV Equity:	Yes	No	N/A
Investment in equity securities shall not exceed seventy-five percent (75%) of the market value of Operating Pool IV's assets.	✓		
Foreign securities shall not exceed twenty-percent (20%) of the market value of Operating Pool IV's assets.	✓		

Pool IV Fixed:	Yes	No	N/A
All fixed income investments shall maintain a minimum rating of "investment grade" or higher by a major credit rating service.	✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "A-" or higher.	✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.	✓		

1. Taken as an excerpt from the UCF quarterly performance evaluation report. Individual managers are also measured on an ongoing basis against a combination of 15 quantitative and qualitative criteria.

Target Policy Summary	
Pool I	100% 90 Day US T-Bills
Pool II	75% ML 1-Year Treasury + 25% 90 Day US T-bills
Pool III	85% ML 1-5 Year G/C A or Better + 15% S&P 500
Pool IV	35% Barclays Agg + 50% S&P 500 + 15% MSCI-ACWxUS

Pool I	\$29,988,862	Current Allocation
Cash & Equivalents	\$29,988,862	100.0%
Fidelity Money Market	\$29,988,862	

Pool II	\$20,218,207	Current Allocation
Short-Term Fixed Income	\$20,218,207	100.0%
Galliard Capital Management	\$20,218,207	

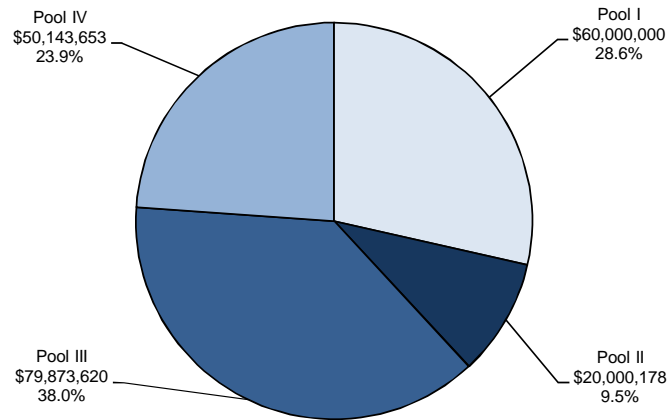
Pool III	\$121,729,755	Current Allocation
Intermediate Fixed Income (85%)	\$101,630,066	83.5%
Galliard Capital Management	\$54,788,052	
Sawgrass Asset Management	\$46,842,014	
Domestic Equity (15%)	\$20,099,689	16.5%
Vanguard Institutional Index <sup>(1)</sup>	\$20,099,689	

Pool IV	\$74,181,906	Current Allocation
Broad Market Fixed Income (35%)	\$25,339,674	34.2%
Galliard Capital Management	\$18,022,134	
Dodge & Cox Income <sup>(2)</sup>	\$7,317,539	
Domestic Equity (50%)	\$39,443,829	53.2%
Vanguard Institutional Index	\$39,443,829	
International Equity (15%)	\$9,398,404	12.7%
Europacific Growth	\$9,398,404	

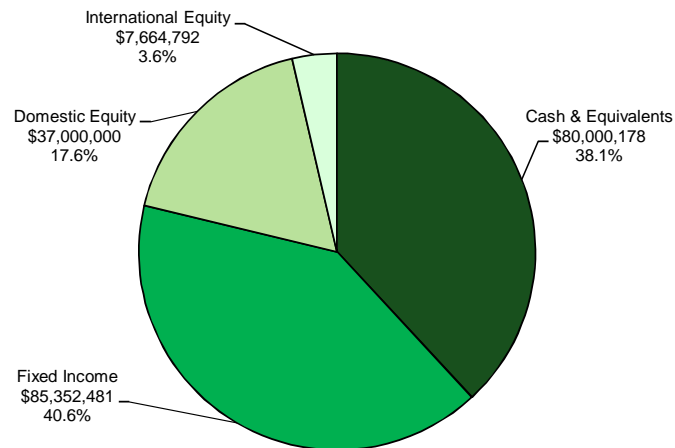
1. Pool III's Vanguard Institutional Index market value includes the \$4,998 cash balance held in the Pool III mutual fund account.  
2. Pool IV's Dodge & Cox Income market value includes the \$15,399 cash balance held in the Pool IV mutual fund account.

University of Central Florida  
Initial Pool & Asset Allocation vs. Current Structured Investment Portfolio  
As of December 31, 2015

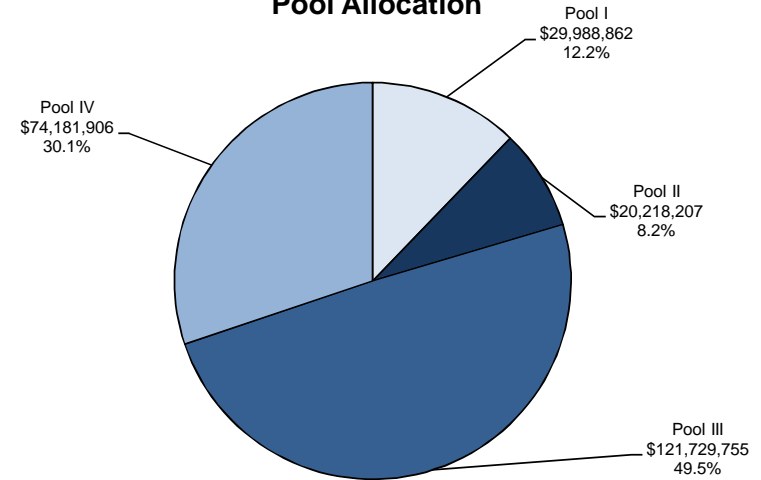
**3/31/2010: \$210,017,451  
Pool Allocation**



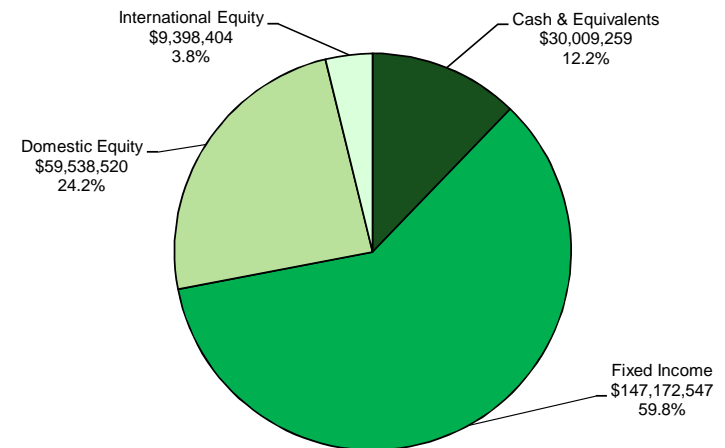
**Asset Allocation**



**12/31/2015: \$246,118,730  
Pool Allocation**



**Asset Allocation**



**ITEM: INFO-4**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** University Operating Budget Report Ended December 31, 2015

**DATE:** March 2, 2016

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For information only.

Attachment A: University Operating Budget Report  
Ended December 31, 2015

## Attachment A

ITEM: INFO-4**University of Central Florida  
Operating Budget Status****December 31, 2015*****Year-to-Date Activity and Variances***

The attached reports include revenues and expenditures for the six months ended December 31, 2015, compared to the operating budget. Student credit hours are higher than the enrollment plan by 1.9 percent and are higher than the prior year by 3.5 percent. Revenues as a percentage of budget are consistent with prior year. Expenditures as a percentage of budget are 1 percent higher than prior year. Overall, revenues and expenditures as a percent of the operating budget are 52 percent and 41 percent, respectively. Specific activities and variances in certain budget categories are described below.

Educational & General

E&G revenues increased \$19.2 million. Tuition and fees increased \$10.8 million, which is primarily due to growth in student credit hours and an increase in out-of-state fees. State appropriations increased \$6.4 million, which is primarily due to new performance-based funding.

E&G expenditures increased by \$37.5 million. Salaries and benefits increased \$11.1 million due to new faculty hires and other headcount and pay rate increases. Other operating expenses increased \$23 million due primarily to an increase in repairs and renovations and an increase in student financial aid.

Medical School

Medical school revenues increased by \$0.6 million primarily due to increased state appropriations.

Total medical school expenditures increased by \$2.7 million. Compensation and benefits increased \$1.2 million, which includes headcount, pay rate, and related increases in employer contributions for benefits. Capital purchases increased \$1.1 million, the largest of which was related to a simulation-based learning environment.

Auxiliary Enterprises

Auxiliary revenues increased by \$7.7 million. Student enrollment increased for Global UCF and the Intensive English program causing revenue to increase by \$2.9 million. Funding from College of Medicine partnerships increased by \$1.2 million.

Expenditures increased by \$2.9 million primarily due to funding for construction projects, including an extension of Parking Garage C.

ITEM: INFO-4

**University of Central Florida  
Operating Budget Status**

**December 31, 2015**

Sponsored Research

Revenues to date decreased by \$1.6 million primarily related to reductions in federal and private grant funds of \$0.7 million and \$1.4 million respectively.

Expenditures to date decreased \$1.5 million. Salaries and benefits decreased \$1.3 million.

Student Financial Aid

Revenues increased \$8.2 million. Federal funding for Pell Grants increased \$3.6 million and Plus Loans increased \$1.5 million. Private funding for loans increased \$1.3 million. Transfers from E&G for National Merit scholarships and differential tuition to be used for need-based financial aid increased by \$2.7 million.

Expenditures increased \$6.7 million. Need-based and non-need-based student awards increased by \$5.2 million and \$1.8 million, respectively.

Student Activities

Revenues increased \$0.3 million primarily related to activity and service fees. Expenses decreased \$0.5 million due to prior year transfers for air conditioner replacements.

Concessions

Concessions revenue decreased due to the timing of commissions and sponsorship revenue receipts from Coca-Cola.

Technology Fee

Technology fee revenues increased \$0.1 million.

Technology fee expense variances are due to timing differences in the progress of the various projects. Approximately 55 percent of 2014-15 and 90 percent of 2013-14 awarded funds have been spent or transferred to Computer Services and Telecommunications for projects completed or in progress. Projects for 2015-16 have been awarded but not yet started.

# University of Central Florida Operating Budget Report

as of December 31, 2015 (50% of year)

## 2015-16

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 389,207,535	\$ 282,406,704	\$ 709,837,313	39.8%	54.8%	\$ 106,800,830	\$ 171,602,281
Medical School	17,661,887	19,486,600	61,564,339	31.7%	28.7%	(1,824,713)	23,520,276
Auxiliary Enterprises	120,254,085	90,645,284	236,260,851	38.4%	50.9%	29,608,801	169,828,744
Sponsored Research	67,437,351	64,370,044	155,283,000	41.5%	43.4%	3,067,307	27,239,596
Student Financial Aid	271,147,093	225,819,262	507,419,674	44.5%	53.4%	45,327,832	27,646,086
Student Activities	16,112,154	8,843,389	20,500,000	43.1%	78.6%	7,268,765	9,020,033
Concessions	138,838	167,148	500,000	33.4%	27.8%	(28,311)	1,283,179
Technology Fee	7,346,994	1,941,379	9,100,000	21.3%	80.7%	5,405,614	7,347,815
	<u>\$ 889,305,937</u>	<u>\$ 693,679,811</u>	<u>\$ 1,700,465,177</u>	<u>40.8%</u>	<u>52.3%</u>	<u>\$ 195,626,126</u>	<u>\$ 437,488,009</u>

## 2014-15

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 370,037,298	\$ 244,866,110	\$673,355,376	36.4%	55.0%	\$ 125,171,188	\$ 153,440,388
Medical School	17,059,827	16,835,603	57,083,903	29.5%	29.9%	224,224	20,535,923
Auxiliary Enterprises	112,559,409	87,737,064	206,596,893	42.5%	54.5%	24,822,344	168,016,144
Sponsored Research	68,997,254	65,869,923	152,584,000	43.2%	45.2%	3,127,331	34,148,458
Student Financial Aid	262,950,007	219,161,304	503,923,681	43.5%	52.2%	43,788,703	28,901,462
Student Activities	15,781,596	9,318,779	20,000,000	46.6%	78.9%	6,462,817	8,312,809
Concessions	452,021	157,629	460,000	34.3%	98.3%	294,393	1,103,762
Technology Fee	7,203,852	1,948,552	9,100,000	21.4%	79.2%	5,255,300	4,518,932
	<u>\$ 855,041,264</u>	<u>\$ 645,894,964</u>	<u>\$ 1,623,103,853</u>	<u>39.8%</u>	<u>52.7%</u>	<u>\$ 209,146,299</u>	<u>\$ 418,977,877</u>



# University of Central Florida Operating Expenditure Report

as of December 31, 2015 (50% of year)

## 2015-16

	Expenditures - Amount					Expenditures - Percent of Total				
	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total
Educational & General	\$ 174,726,135	\$ 102,757,469	\$ 4,923,100	\$ -	\$ 282,406,704	61.9%	36.4%	1.7%	-	100.0%
Medical School	12,714,983	5,667,101	1,104,515	-	19,486,600	65.2%	29.1%	5.7%	-	100.0%
Auxiliary Enterprises	28,269,304	53,879,297	947,507	7,549,177	90,645,284	31.2%	59.4%	1.0%	8.3%	100.0%
Sponsored Research	27,752,511	33,573,879	3,043,653	-	64,370,044	43.1%	52.2%	4.7%	-	100.0%
Student Financial Aid	2,131,639	223,687,623	-	-	225,819,262	0.9%	99.1%	-	-	100.0%
Student Activities	4,752,414	4,059,335	31,641	-	8,843,389	53.7%	45.9%	0.4%	-	100.0%
Concessions	2,862	164,286	-	-	167,148	1.7%	98.3%	-	-	100.0%
Technology Fee	539	1,427,684	513,157	-	1,941,379	0.0%	73.5%	26.4%	-	100.0%
	<u>\$ 250,350,387</u>	<u>\$ 425,216,674</u>	<u>\$ 10,563,573</u>	<u>\$ 7,549,177</u>	<u>\$ 693,679,811</u>	<u>36.1%</u>	<u>61.3%</u>	<u>1.5%</u>	<u>1.1%</u>	<u>100.0%</u>

## 2014-15

	Expenditures - Amount					Expenditures - Percent of Total				
	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total
Educational & General	\$ 163,585,016	\$ 79,778,180	\$ 1,502,914	\$ -	\$ 244,866,110	66.8%	32.6%	0.6%	-	100.0%
Medical School	11,500,676	5,301,781	33,146	-	16,835,603	68.3%	31.5%	0.2%	-	100.0%
Auxiliary Enterprises	26,541,890	52,737,002	920,172	7,538,000	87,737,064	30.3%	60.1%	1.0%	8.6%	100.0%
Sponsored Research	29,007,792	33,514,108	3,348,023	-	65,869,923	44.0%	50.9%	5.1%	-	100.0%
Student Financial Aid	1,688,040	217,473,264	-	-	219,161,304	0.8%	99.2%	-	-	100.0%
Student Activities	4,705,243	4,613,536	-	-	9,318,779	50.5%	49.5%	-	-	100.0%
Concessions	1,603	156,025	-	-	157,629	1.0%	99.0%	-	-	100.0%
Technology Fee	742	1,075,424	872,386	-	1,948,552	0.0%	55.2%	44.8%	-	100.0%
	<u>\$ 237,031,004</u>	<u>\$ 394,649,319</u>	<u>\$ 6,676,642</u>	<u>\$ 7,538,000</u>	<u>\$ 645,894,964</u>	<u>36.7%</u>	<u>61.1%</u>	<u>1.0%</u>	<u>1.2%</u>	<u>100.0%</u>

# University of Central Florida

## Operating Budget Report

as of December 31, 2015 (50% of year)

### Statistical Information

#### *Student Credit Hours<sup>1</sup>*

##### *Actual Compared to UCF Plan*

Summer  
Fall<sup>2</sup>  
Spring

2015-16			
Actual	Plan	Difference	% Variance
233,465	229,982	3,483	1.5%
673,568	659,726	13,842	2.1%
-	-	-	-
907,033	889,708	17,325	1.9%

2014-15			
Actual	Plan	Difference	% Variance
225,671	238,120	(12,449)	-5.2%
651,023	644,740	6,283	1.0%
-	-	-	-
876,694	882,860	(6,166)	-0.7%

##### *Current Year Compared to Prior Year*

Summer<sup>2</sup>  
Fall  
Spring

2015-16	2014-15	Difference	% Variance
233,465	225,671	7,794	3.5%
673,568	651,023	22,545	3.5%
-	-	-	-
907,033	876,694	30,339	3.5%

2014-15	2013-14	Difference	% Variance
225,671	228,164	(2,493)	-1.1%
651,023	644,246	6,777	1.1%
-	-	-	-
876,694	872,410	4,284	0.5%

#### *Additional Statistical Information*

Student headcount - Fall 2015<sup>2</sup> and 2014

Percent in-state students - Fall 2015<sup>2</sup> and 2014

Foundation endowment - June 30, 2015, and 2014

Foundation assets - June 30, 2015, and 2014

On-campus housing, including Greek housing<sup>3</sup>

Rosen campus housing<sup>3</sup>

Affiliated housing<sup>3</sup>

Managed housing<sup>3</sup>

Gross square footage - Orlando Campus<sup>3</sup>

Acreage - Orlando Campus<sup>3</sup>

	2015-16	2014-15	Difference	% Variance
Student headcount - Fall 2015 <sup>2</sup> and 2014	63,002	60,821	2,181	3.6%
Percent in-state students - Fall 2015 <sup>2</sup> and 2014	93.3%	94.1%	-0.8%	
Foundation endowment - June 30, 2015, and 2014	\$ 148,880,171	\$ 152,717,147	\$ (3,836,976)	-2.5%
Foundation assets - June 30, 2015, and 2014	\$ 289,988,145	\$ 287,546,289	\$ 2,441,856	0.8%
On-campus housing, including Greek housing <sup>3</sup>	6,905			
Rosen campus housing <sup>3</sup>	384			
Affiliated housing <sup>3</sup>	3,757			
Managed housing <sup>3</sup>	594			
Gross square footage - Orlando Campus <sup>3</sup>	8,217,095			
Acreage - Orlando Campus <sup>3</sup>	1,415			

<sup>1</sup> Medical students are not included in student credit hours.

<sup>2</sup> Fall 2015 is preliminary data.

<sup>3</sup> As of Fall 2015

ITEM: INFO-4

## University of Central Florida Operating Budget Status

December 31, 2015

### *Budgets*

**Educational & General.** The Educational & General budget includes expenditures for instructional activities and related administrative support. This budget is funded by general revenue, Educational Enhancement funds, and student fees. E&G student fees include tuition and out-of-state fees.

**Auxiliary Enterprises.** Auxiliary enterprises include those activities that are not instructional in nature but support the operation of the university. The primary auxiliary areas include Housing, Student Health Services, Parking Services, Computer Store, Telecommunications, Continuing Education, Dining Services, and the Bookstore. The auxiliaries must generate adequate revenue to cover expenditures and allow for future renovations and building or equipment replacement, if applicable. Several of the auxiliaries are partially or wholly funded by student fees, including Student Health Services, Parking Services, and Material and Supply Fees.

**Sponsored Research.** Sponsored research includes research activities that are funded by federal, state, local, and private funds.

**Student Financial Aid.** The student financial aid budget largely represents scholarship and loan funds that are received by the university and subsequently disbursed to students. Large disbursements of these funds occur at the beginning of the fall and spring semesters. The expenditures in this budget will, therefore, not coincide with the months remaining in the year.

**Student Activities.** The student activities budget is funded by the Activity and Service Fee paid by the students and includes expenditures for student government and student clubs and organizations. This budget also includes all expenditures for the Student Union and the Recreation and Wellness Center. Expenditures for these entities are funded by the Activity and Service Fee and by revenue generated through functions in the facilities.

**Concessions.** The concessions budget is funded from vending machine revenue. These funds are used for events and other expenditures that support the university.

**Technology Fee.** The technology fee was established in January 2009 as allowed by Florida Statute 1009.24. The university began charging 5 percent of the tuition per credit hour beginning in the fall term of the 2009-10 academic years. A committee and guidelines for the allocation and use of the technology resources were established. The revenue from this fee will be used to enhance instructional technology resources for students and faculty.

ITEM: INFO-4

**University of Central Florida  
Operating Budget Status**

**December 31, 2015**

***Expenditure Categories***

**Salaries and Benefits.** Salaries and benefits include salary payments, along with employer benefit costs, including FICA, health insurance, life insurance, disability insurance, and pre-tax benefits. Benefits are approximately 30 percent of salaries for permanent employees.

**Expenses.** Expenses include office supplies, repairs, maintenance costs, contract services, and all other items not included as salaries, capital purchases, or debt service.

**Capital Purchases.** Capital purchases include personal property with a value of \$5,000 or more and library resources with a value of \$250 or more, and an expected life of one year or more.

**Debt Service.** Debt service includes principal and interest payments on bonds and other loans within the university.

**ITEM: INFO-5**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** 2015 Audited University Financial Statements

**DATE:** March 2, 2016

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For information only.

Attachment A: 2015 Audited University  
Financial Statements

Attachment A

Report No. 2016-060  
December 2015

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

## UNIVERSITY OF CENTRAL FLORIDA

For the Fiscal Year Ended  
June 30, 2015



Sherrill F. Norman, CPA  
Auditor General

### Board of Trustees and President

During the 2014-15 fiscal year, Dr. John C. Hitt served as President and the following individuals served as members of the Board of Trustees:

Olga M. Calvet, Chair	Ray Gilley <sup>a</sup>
John R. Sprouls, Vice Chair	Dr. Keith Koons from 4-23-15 <sup>c</sup>
James Atchison <sup>a</sup>	Marcos R. Marchena
Weston Bayes to 5-10-15 <sup>b</sup>	Alex Martins
Clarence H. Brown III, M.D.	Dr. Reid Oetjen to 4-22-15 <sup>c</sup>
Richard T. Crotty <sup>a</sup>	Beverly J. Seay
Alan S. Florez	Cait Zona from 5-11-15 <sup>b</sup>
Robert A. Garvy <sup>a</sup>	

Notes: <sup>a</sup> Board member served beyond the end of term, January 6, 2015.

<sup>b</sup> Student body president.

<sup>c</sup> Faculty Senate Chair.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Sherry J. Homayouni, CPA, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

[www.myflorida.com/audgen](http://www.myflorida.com/audgen)

Printed copies of our reports may be requested by contacting us at:

**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722**

# UNIVERSITY OF CENTRAL FLORIDA

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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of Central Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

### AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the University of Central Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

### AUDIT METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722  
Fax: (850) 488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the blended component units, represent 0.6 percent, 14.63 percent, and 0.4 percent, respectively, of the assets, liabilities, and net position, reported for the University of Central Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of University Contributions – Florida Retirement System Pension Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of University Contributions – Health Insurance Subsidy Pension Plan, and Notes To Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the University of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
December 11, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

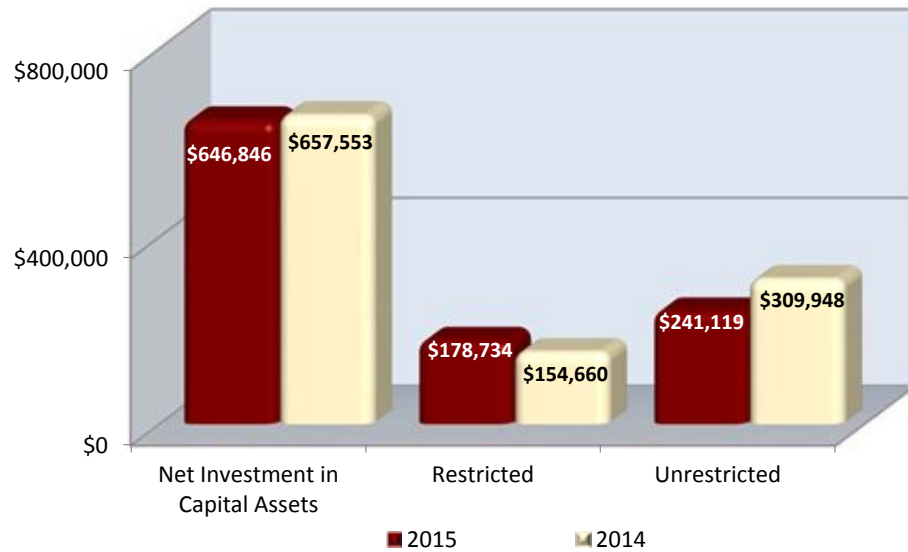
The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2015, and June 30, 2014.

### **FINANCIAL HIGHLIGHTS**

The University's assets totaled \$1.5 billion at June 30, 2015. This balance reflects a \$32.7 million, or 2 percent, increase as compared to June 30, 2014, resulting primarily from an increase in investments. Deferred outflows of resources at June 30, 2015 totaled \$53.7 million, an increase from the prior year of \$42.5 million. Liabilities increased by \$79.6 million, or 21 percent, totaling \$460.9 million at June 30, 2015, as compared to \$381.4 million at June 30, 2014. Deferred inflows of resources at June 30, 2015 totaled \$51.1 million. As a result, the University's net position decreased by \$55.5 million, but remained relatively consistent in total with the prior year's balance of \$1.1 billion. The increases in liabilities, deferred outflows and inflows of resources, and decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This accounting standard requires the University, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple employer defined benefit plans. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows or inflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption also resulted in an adjustment to beginning net position of \$86.1 million.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

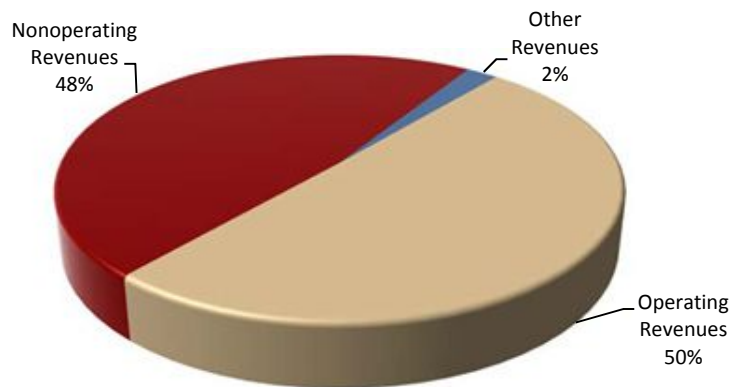
**Net Position:**  
(In Thousands)



The University's operating revenues totaled \$481.1 million for the 2014-15 fiscal year, representing an 8 percent increase compared to the 2013-14 fiscal year due mainly to increases in student tuition and fees, and grants and contracts. Operating expenses totaled \$880.2 million for the 2014-15 fiscal year, representing an increase of 7 percent compared to the 2013-14 fiscal year due mainly to increases in compensation and employee benefits, and services and supplies.

The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:

**Total Revenues:**



## OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Units
  - UCF Finance Corporation
  - University of Central Florida College of Medicine Self-Insurance Program
- Discretely Presented Component Units
  - University of Central Florida Foundation, Inc.
  - University of Central Florida Research Foundation, Inc.
  - UCF Athletics Association, Inc.
  - UCF Convocation Corporation
  - UCF Stadium Corporation (formerly known as Golden Knights Corporation)
  - Central Florida Clinical Practice Organization, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. MD&A information for the discretely presented component units reporting under GASB standards is included in their separately issued audit reports.

### **The Statement of Net Position**

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

**Condensed Statement of Net Position at June 30**

(In Thousands)

	2015	2014
<b>Assets</b>		
Current Assets	\$ 565,221	\$ 521,440
Capital Assets, Net	837,341	857,163
Other Noncurrent Assets	122,492	113,710
<b>Total Assets</b>	<b>1,525,054</b>	<b>1,492,313</b>
<b>Deferred Outflows of Resources</b>	<b>53,696</b>	<b>11,219</b>
<b>Liabilities</b>		
Current Liabilities	81,829	77,557
Noncurrent Liabilities	379,100	303,814
<b>Total Liabilities</b>	<b>460,929</b>	<b>381,371</b>
<b>Deferred Inflows of Resources</b>	<b>51,122</b>	<b>-</b>
<b>Net Position</b>		
Net Investment in Capital Assets	646,846	657,553
Restricted	178,734	154,660
Unrestricted	241,119	309,948
<b>Total Net Position</b>	<b>\$ 1,066,699</b>	<b>\$ 1,122,161</b>

Total assets as of June 30, 2015, increased by \$32.7 million or 2 percent. This increase is primarily due to an increase in investments of \$33.3 million. Deferred outflows of resources increased \$42.5 million. This increase is primarily due to deferred amounts related to pensions associated with the implementation of GASB Statement No. 68. Total liabilities as of June 30, 2015, increased by \$79.6 million, or 21 percent, and was primarily due to liabilities recorded for the University's proportionate share of the FRS net pension liabilities, increases in other postemployment benefit (OPEB), and compensated absences liabilities, offset by reductions in long-term debt associated with current year principal payments. Deferred inflows of resources consist of the deferred amounts related to pensions associated with the adoption of GASB Statement No. 68.

**The Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2014-15 and 2013-14 fiscal years:



**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years**

(In Thousands)

	<b>2014-15</b>	<b>2013-14</b>
Operating Revenues	\$ 481,124	\$ 443,779
Less, Operating Expenses	880,219	821,707
<b>Operating Loss</b>	(399,095)	(377,928)
Net Nonoperating Revenues	409,399	395,778
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	10,304	17,850
Other Revenues, Expenses, Gains, or Losses	20,348	23,280
<b>Net Increase in Net Position</b>	30,652	41,130
Net Position, Beginning of Year	1,122,161	1,081,031
Adjustment to Beginning Net Position (1)	(86,114)	-
<b>Net Position, Beginning of Year, as Restated</b>	1,036,047	1,081,031
<b>Net Position, End of Year</b>	\$ 1,066,699	\$ 1,122,161

Note: (1) As discussed in Notes 2 and 3 of the financial statements, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

**Operating Revenues**

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

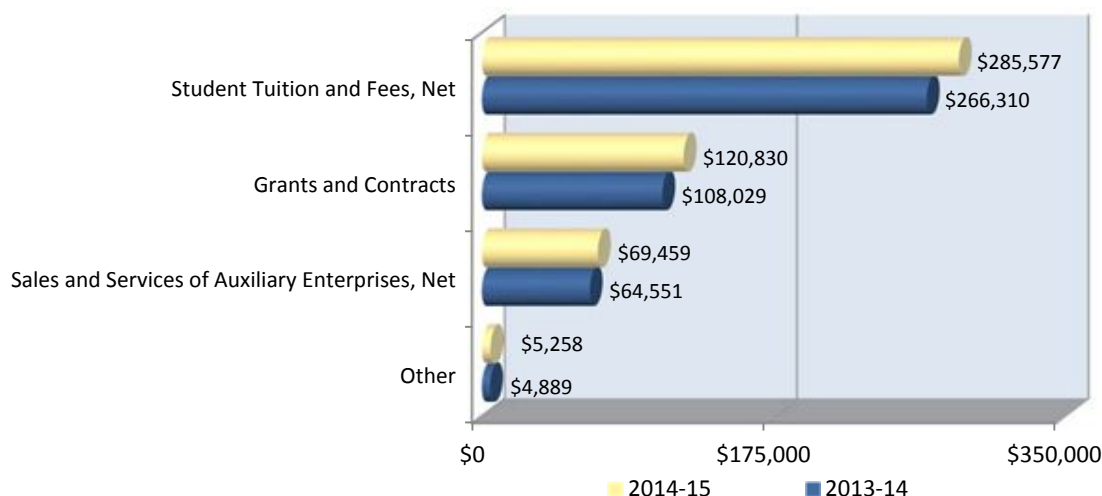
**Operating Revenues  
For the Fiscal Years**

(In Thousands)

	<b>2014-15</b>	<b>2013-14</b>
Student Tuition and Fees, Net	\$ 285,577	\$ 266,310
Grants and Contracts	120,830	108,029
Sales and Services of Auxiliary Enterprises, Net	69,459	64,551
Other	5,258	4,889
<b>Total Operating Revenues</b>	\$ 481,124	\$ 443,779

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:

**Operating Revenues:**  
(In Thousands)



Total operating revenues increased by \$37.3 million, or 8 percent. Net student tuition and fees increased by \$19.3 million, or 7 percent, and was primarily due to an increase in local fee revenues related to transportation access and health services and an increase in non-resident credit hours. Grants and contracts revenues increased by \$12.8 million, or 12 percent, and was primarily due to a new Federal grant with the National Aeronautics and Space Administration (NASA).

**Operating Expenses**

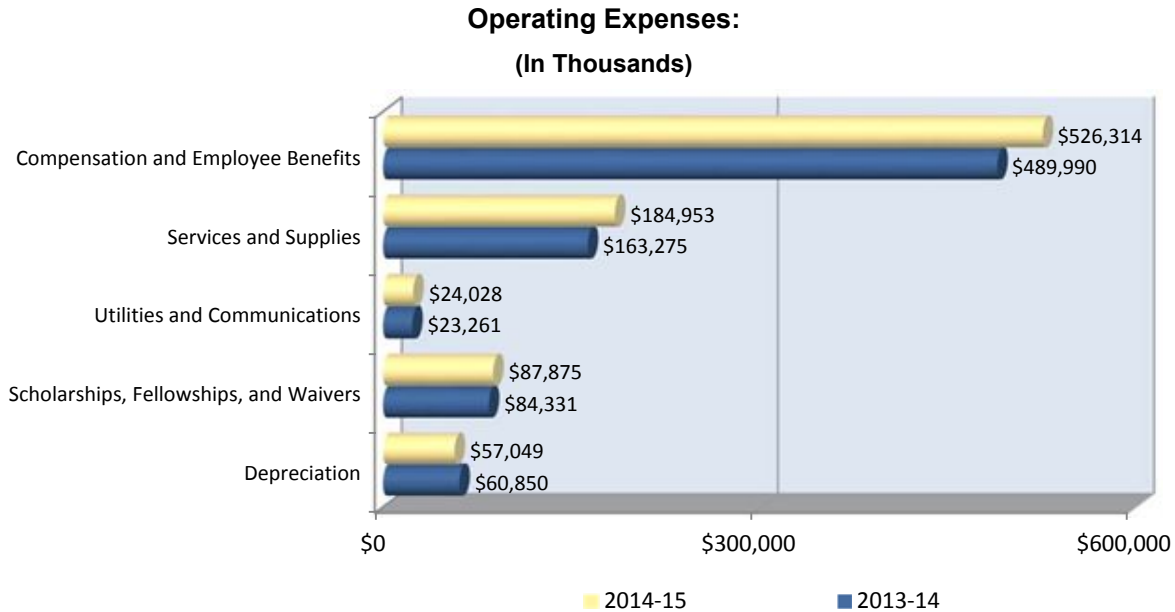
Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the 2014-15 and 2013-14 fiscal years:

**Operating Expenses  
For the Fiscal Years**  
(In Thousands)

	<b>2014-15</b>	<b>2013-14</b>
Compensation and Employee Benefits	\$ 526,314	\$ 489,990
Services and Supplies	184,953	163,275
Utilities and Communications	24,028	23,261
Scholarships, Fellowships, and Waivers	87,875	84,331
Depreciation	57,049	60,850
<b>Total Operating Expenses</b>	<b>\$ 880,219</b>	<b>\$ 821,707</b>

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:



Operating expenses totaled \$880 million for the 2014-15 fiscal year. This represents a \$58.5 million or 7 percent increase over the 2013-14 fiscal year. The increase in compensation and employee benefits of \$36.3 million, or 7 percent, was primarily due to an increase in salaries of \$31 million, which included increases in the pay rate and in the number of employees, and healthcare and retirement contributions of \$9.2 million. The increase in services and supplies of \$21.7 million, or 13 percent, was primarily due to an increase in grant related subcontractor expenses related to the new Federal grant with NASA.

#### **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

**Nonoperating Revenues (Expenses):  
For the Fiscal Year Ended**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Noncapital Appropriations	\$ 301,945	\$ 273,554
Federal and State Student Financial Aid	135,263	137,019
Investment Income	8,402	21,861
Other Nonoperating Revenues	9,042	10,486
Loss on Disposal of Capital Assets	(926)	(5,643)
Interest on Capital Asset-Related Debt	(8,744)	(7,648)
Other Nonoperating Expenses	<u>(35,583)</u>	<u>(33,851)</u>
<b>Net Nonoperating Revenues</b>	<u><u>\$ 409,399</u></u>	<u><u>\$ 395,778</u></u>

Net nonoperating revenues increased by \$13.6 million, or 3 percent, primarily due to an increase in State noncapital appropriations of \$28.4 million of which \$23.6 million was new performance and other funding. In addition, appropriations of \$4.8 million were received for funding of employee compensation and benefits. These appropriation increases were offset by a decrease in investment income of \$13.5 million primarily due to a decrease in unrealized gains from prior year. Other nonoperating expenses primarily consist of expenses incurred by the athletics department and transfers out to other agencies.

**Other Revenues, Expenses, Gains, or Losses**

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2014-15 and 2013-14 fiscal years:

**Other Revenues, Expenses, Gains, or Losses:  
For the Fiscal Year Ended**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Capital Appropriations	\$ 19,967	\$ 21,514
Capital Grants, Contracts, Donations, and Fees	<u>381</u>	<u>1,766</u>
<b>Total</b>	<u><u>\$ 20,348</u></u>	<u><u>\$ 23,280</u></u>

Other revenues, expenses, gains, or losses totaled \$20.3 million for the 2014-15 fiscal year. This represents a \$2.9 million decrease compared to the 2013-14 fiscal year due primarily to a decrease in State capital appropriations.

**The Statement of Cash Flows**

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant

funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2014-15 and 2013-14 fiscal years:

**Condensed Statement of Cash Flows:**

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
Cash Provided (Used) by:		
Operating Activities	\$ (336,529)	\$ (301,469)
Noncapital Financing Activities	418,865	396,474
Capital and Related Financing Activities	(62,529)	(59,324)
Investing Activities	<u>(24,941)</u>	<u>(37,167)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(5,134)</b>	<b>(1,486)</b>
Cash and Cash Equivalents, Beginning of Year	<u>54,924</u>	<u>56,410</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 49,790</u></b>	<b><u>\$ 54,924</u></b>

Cash and cash equivalents decreased \$5.1 million. Cash used by operating activities increased by \$35.1 million compared to fiscal year 2013-14 due primarily to a \$40.6 million increase in cash payments to employees for compensation and \$21.5 million increase in payments to suppliers for goods and services offset by a \$16.2 million increase in cash received from tuition and fees and \$14.2 million increase in cash received for grants and contracts. Cash inflows from noncapital financing activities increased by \$22.4 million primarily due to State noncapital appropriations. Total cash used by capital and related financing activities remained relatively unchanged from the 2013-14 fiscal year. Cash used by investing activities decreased by \$12.2 million primarily due to a decrease in investment purchases.

Major sources of funds came from State noncapital appropriations (\$301.9 million), student tuition and fees, net (\$280.9 million), Federal and State student financial aid (\$135.5 million), and grants and contracts (\$120.2 million). Major uses of funds were for payments made to and on behalf of employees (\$512.2 million), payments to suppliers for goods and services (\$209.8 million), and payments to students for scholarships and fellowships (\$87.9 million).

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,  
AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the University had \$1.5 billion in capital assets, less accumulated depreciation of \$677.8 million, for net capital assets of \$837.3 million. Depreciation charges for the current fiscal year totaled \$57 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30:****(In Thousands)**

	<b>2015</b>	<b>2014</b>
Land	\$ 24,822	\$ 24,822
Construction in Progress	16,805	9,296
Buildings	704,446	722,711
Infrastructure and Other Improvements	30,094	32,286
Furniture and Equipment	38,218	42,473
Library Resources	19,477	20,602
Leasehold Improvements	2,569	3,981
Works of Art and Historical Treasures	910	992
<b>Capital Assets, Net</b>	<b>\$ 837,341</b>	<b>\$ 857,163</b>

Additional information about the University's capital assets is presented in the notes to financial statements.

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2015, were incurred on the following projects currently in progress: Global Achievement Building and Bennett Building Renovations. Remaining capital expenses completed during the year consisted of various renovation and replacement projects throughout the University. The University's major construction commitments at June 30, 2015, are as follows:

	<b>Amount (In Thousands)</b>
Total Committed	\$ 39,546
Completed to Date	(16,805)
<b>Balance Committed</b>	<b>\$ 22,741</b>

Additional information about the University's construction commitments is presented in the notes to financial statements.

**Debt Administration**

As of June 30, 2015, the University had \$196.6 million in outstanding capital improvement debt payable and bonds payable, representing a decrease of \$11.3 million, or 5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

**Long-Term Debt, at June 30:****(In Thousands)**

	<b>2015</b>	<b>2014</b>
Capital Improvement Debt	\$ 142,478	\$ 151,541
Bonds Payable	54,085	55,380
Installment Purchase Payable	-	950
<b>Total</b>	<b>\$ 196,563</b>	<b>\$ 207,871</b>

Additional information about the University's long-term debt is presented in the notes to financial statements.

#### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget adopted by the Florida Legislature for the 2015-16 fiscal year provided a 4 percent increase to State universities, including \$100 million of new recurring performance-based funding. The University received \$14.7 million of this new funding for total performance-based appropriations of \$57.7 million. Economic recovery and increased demand for State resources will continue to influence appropriations to higher education. The University manages these influences through the continual conservation and efficient use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments.

In addition to State funding, the University relies on other revenue streams to maintain the open access to and high quality of its academic programs. For the 2014-15 fiscal year, gross tuition and fee revenue increased by 6 percent in part due to an increase in non-resident tuition and fees. Enrollment increased 2 percent with a student count of approximately 60,821. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students' success.

#### REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Tracy Clark, CPA, Associate Provost for Budget, Planning and Administration and Associate Vice President for Finance, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

## **BASIC FINANCIAL STATEMENTS**

### **University of Central Florida A Component Unit of the State Of Florida Statement of Net Position**

**June 30, 2015**

	<b>University</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 36,252,687	\$ 20,588,762
Restricted Cash and Cash Equivalents	4,615,228	23,352,805
Investments	411,201,814	4,315,976
Accounts Receivable, Net	53,434,040	8,313,474
Loans and Notes Receivable, Net	1,073,643	-
Due from State	46,465,479	-
Due from Component Units	3,688,240	1,394,943
Due from University	-	8,263,456
Inventories	2,446,206	11,409
Other Current Assets	6,044,099	1,140,751
<b>Total Current Assets</b>	<b>565,221,436</b>	<b>67,381,576</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,922,116	21,132,856
Restricted Investments	100,392,599	183,031,189
Loans and Notes Receivable, Net	5,273,350	7,310,547
Depreciable Capital Assets, Net	795,495,676	248,060,068
Nondepreciable Capital Assets	41,845,030	57,146,417
Due from Component Units	6,915,072	-
Other Noncurrent Assets	989,120	3,342,102
<b>Total Noncurrent Assets</b>	<b>959,832,963</b>	<b>520,023,179</b>
<b>Total Assets</b>	<b>1,525,054,399</b>	<b>587,404,755</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	40,588,303	-
Accumulated Decrease in Fair Value of Hedging		
Derivatives	13,107,659	-
Deferred Loss on Bond Debt Refunding	-	760,121
<b>Total Deferred Outflows of Resources</b>	<b>53,695,962</b>	<b>760,121</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	16,934,502	3,947,153
Construction Contracts Payable	5,367,125	1,504,194
Salaries and Wages Payable	15,795,262	-
Deposits Payable	5,441,091	-
Due to Component Units	8,263,456	1,394,943
Due to University	-	3,688,240
Unearned Revenue	15,304,861	11,411,871
Other Current Liabilities	248,758	2,251,876
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	8,345,000	-
Bonds Payable	1,355,000	-
Certificates of Participation Payable	-	7,893,000
Loans and Notes Payable	-	14,420,786
Compensated Absences Payable	3,337,170	102,788
Net Pension Liability	1,437,069	-
<b>Total Current Liabilities</b>	<b>81,829,294</b>	<b>46,614,851</b>



**University of Central Florida  
A Component Unit of the State Of Florida  
Statement of Net Position (Continued)**

**June 30, 2015**

	<u>University</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 134,133,346	\$ -
Bonds Payable	52,730,000	-
Certificates of Participation Payable	-	245,628,244
Loans and Notes Payable	-	31,443,693
Compensated Absences Payable	44,336,690	795,076
Other Postemployment Benefits Payable	59,802,000	-
Net Pension Liability	68,389,465	-
Unearned Revenues	-	1,861,012
Due to University	-	6,915,072
Interest Rate Swap	13,107,659	-
Other Noncurrent Liabilities	6,600,805	-
<b>Total Noncurrent Liabilities</b>	<u>379,099,965</u>	<u>286,643,097</u>
<b>Total Liabilities</b>	<u>460,929,259</u>	<u>333,257,948</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	51,122,361	-
<b>Total Deferred Inflows of Resources</b>	<u>51,122,361</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	646,845,968	14,262,476
Restricted for Nonexpendable:		
Endowment	-	122,971,130
Restricted for Expendable:		
Debt Service	1,422,001	-
Loans	3,928,142	-
Capital Projects	145,400,324	3,596,470
Other	27,983,319	96,278,290
Unrestricted	241,118,987	17,798,562
<b>TOTAL NET POSITION</b>	<u>\$ 1,066,698,741</u>	<u>\$ 254,906,928</u>

The accompanying notes to financial statements are an integral part of this statement.

**University of Central Florida**  
**A Component Unit of the State Of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$105,398,696 (Pledged for Capital Improvement Debt: \$16,610,465 for Student Health and \$13,816,823 for Parking)	\$ 285,576,688	\$ -
Federal Grants and Contracts	96,198,237	-
State and Local Grants and Contracts	6,491,315	-
Nongovernmental Grants and Contracts	18,140,582	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$29,041,650 for Housing and \$6,059,266 for Parking)	69,459,152	-
Gifts and Donations	-	19,370,572
Interest on Loans and Notes Receivable	85,955	-
Other Operating Revenues (Pledged for Capital Improvement Debt: \$33,012 for Housing and \$1,024,527 for Parking)	5,171,982	96,562,121
<b>Total Operating Revenues</b>	<u>481,123,911</u>	<u>115,932,693</u>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	526,313,858	14,863,868
Services and Supplies	184,953,820	87,024,820
Utilities and Communications	24,028,158	-
Scholarships, Fellowships, and Waivers	87,874,507	-
Depreciation	57,048,552	10,481,886
<b>Total Operating Expenses</b>	<u>880,218,895</u>	<u>112,370,574</u>
<b>Operating Income (Loss)</b>	<u>(399,094,984)</u>	<u>3,562,119</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	301,945,200	-
Federal and State Student Financial Aid	135,263,379	-
Investment Income	8,402,218	636,590
Other Nonoperating Revenues	9,041,822	17,442,754
Gain (Loss) on Disposal of Capital Assets	(925,962)	2,500
Interest on Capital Asset-Related Debt	(8,743,732)	(11,295,672)
Other Nonoperating Expenses	(35,583,840)	(3,875,369)
<b>Net Nonoperating Revenues</b>	<u>409,399,085</u>	<u>2,910,803</u>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	10,304,101	6,472,922
State Capital Appropriations	19,966,625	-
Capital Grants, Contracts, Donations, and Fees	381,517	-
Additions to Permanent Endowments	-	3,786,805
<b>Increase in Net Position</b>	30,652,243	10,259,727
Net Position, Beginning of Year	1,122,161,297	244,647,201
Adjustment to Beginning Net Position	(86,114,799)	-
<b>Net Position, Beginning of Year, as Restated</b>	<u>1,036,046,498</u>	<u>244,647,201</u>
<b>Net Position, End of Year</b>	<u>\$ 1,066,698,741</u>	<u>\$ 254,906,928</u>

The accompanying notes to financial statements are an integral part of this statement.

**University of Central Florida  
A Component Unit of the State Of Florida  
Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2015**

	<u>University</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 280,879,567
Grants and Contracts	120,190,380
Sales and Services of Auxiliary Enterprises, Net	68,950,832
Interest on Loans and Notes Receivable	88,242
Payments to Employees	(512,224,170)
Payments to Suppliers for Goods and Services	(209,840,472)
Payments to Students for Scholarships and Fellowships	(87,874,507)
Collection on Loans to Students	781,687
Loans Issued to Students	(2,546,931)
Other Operating Receipts	5,065,564
<b>Net Cash Used by Operating Activities</b>	<u>(336,529,808)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	301,945,200
Federal and State Student Financial Aid	135,477,788
Federal Direct Loan Program Receipts	250,766,662
Federal Direct Loan Program Disbursements	(250,766,662)
Net Change in Funds Held for Others	(924,007)
Other Nonoperating Disbursements	(17,633,830)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>418,865,151</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	7,049,140
Capital Grants, Contracts, Donations, and Fees	279,777
Capital Subsidies and Transfers	(10,218,844)
Other Receipts for Capital Projects	291,184
Purchase or Construction of Capital Assets	(39,874,392)
Principal Paid on Capital Debt	(11,075,623)
Interest Paid on Capital Debt	(8,980,063)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(62,528,821)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	695,113,011
Purchases of Investments	(729,058,855)
Investment Income	9,004,885
<b>Net Cash Used by Investing Activities</b>	<u>(24,940,959)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(5,134,437)
Cash and Cash Equivalents, Beginning of Year	54,924,468
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 49,790,031</u></u>

**University of Central Florida  
A Component Unit of the State Of Florida  
Statement of Cash Flows (Continued)**

**For the Fiscal Year Ended June 30, 2015**

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (399,094,984)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	57,048,552
Changes in Assets and Liabilities:	
Receivables, Net	(8,797,046)
Inventories	(455,682)
Other Assets	(1,783,088)
Accounts Payable	1,411,154
Salaries and Wages Payable	3,883,139
Deposits Payable	47,387
Unearned Revenue	1,093,645
Other Liabilities	(88,500)
Compensated Absences Payable	4,334,822
Other Postemployment Benefits Payable	11,625,000
Net Pension Liability	(28,372,206)
Deferred Outflows of Resources Related to Pensions	(28,504,362)
Deferred Inflows of Resources Related to Pensions	51,122,361
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (336,529,808)</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES</b>	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (623,739)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (925,962)

The accompanying notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. Summary of Significant Accounting Policies**

**Reporting Entity.** The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Blended Component Units.** Based on the application of the criteria for determining component units, the UCF Finance Corporation (Corporation) and the University of Central Florida College of Medicine Self-Insurance Program (Program) are included within the University's reporting entity as blended component units, and are therefore reported as if they are part of the University. The Corporation's purpose is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Program's purpose is to provide comprehensive general liability and professional liability coverage for the University's Trustees and students for claims and actions arising from clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. Condensed financial statements for the University's blended component units are shown in a subsequent note.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Central Florida Clinical Practice Organization, Inc. (an affiliated organization), are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and

to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of Central Florida Foundation, Inc., is a not-for-profit Florida Corporation whose principal function is to provide charitable and educational aid to the University.
- University of Central Florida Research Foundation, Inc., was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc., was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- UCF Stadium Corporation (formerly known as Golden Knights Corporation) was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc., is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical education program and clinical faculty within the College of Medicine.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Associate Provost for Budget, Planning and Administration and Associate Vice President for Finance. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the

measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**Cash and Cash Equivalents - University.** Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of three months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida

Statutes. The University also holds \$36,227,258 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$4,442,270 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

**Cash and Cash Equivalents – Discretely Presented Component Units**. Cash and cash equivalents for the University's discretely presented component units are reported as follows:

<b>Component Unit</b>	<b>Cash in Bank</b>	<b>Money Market Funds</b>	<b>Short-Term Guaranteed Investment Contracts</b>	<b>Total</b>
University of Central Florida Foundation, Inc.	\$ 5,825,183	\$ 9,075,781	\$ -	\$ 14,900,964
University of Central Florida Research Foundation, Inc.	6,031,952	13,582	-	6,045,534
UCF Athletics Association, Inc.	2,158,483	-	-	2,158,483
UCF Convocation Corporation	-	18,589,507	7,567,285	26,156,792
UCF Stadium Corporation	-	11,502,171	3,031,485	14,533,656
Central Florida Clinical Practice Organization, Inc.	1,278,994	-	-	1,278,994
<b>Total Component Units</b>				
<b>Cash and Cash Equivalents</b>	<b>\$ 15,294,612</b>	<b>\$ 39,181,041</b>	<b>\$ 10,598,770</b>	<b>\$ 65,074,423</b>

The University holds certain cash balances for various discretely presented component units. Cash amounts held for University of Central Florida Research Foundation, Inc.; UCF Convocation Corporation; and UCF Stadium Corporation were \$2,717,328, \$2,165,115, and \$3,169,475, respectively.

**UCF Convocation Corporation and UCF Stadium Corporation**. These component units follow the investment policy of the University for managing credit risks. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporations' names. The money market funds invest in diversified portfolios of high-quality, dollar-denominated short-term debt securities. Short-term guaranteed investment contracts are investment vehicles that guarantee a return on principal invested in the account over the life of the investment. For the year ended June 30, 2015, the Corporations had benefit-responsive investment contracts with an insurance company that maintains the funds in guaranteed interest accounts. The accounts are credited with earnings on the underlying investments and are subject to plan withdrawals. The contracts are included in the financial statements at fair value as reported to the Corporations by the insurance company. Fair value represents contributions made under the contract, plus earnings, less plan withdrawals. There are no reserves against fair values for credit risk of the contract issuer or otherwise. For the 2014-15 fiscal year, the average yield and crediting interest rates were 5 percent for the UCF Convocation Corporation and 5 percent for the UCF Stadium Corporation, based on maturities through June 30, 2015. These assets



are segregated and subject to withdrawal by the authorized trustee. The guaranteed investment contracts were purchased by the Corporations to invest the unused proceeds received from the issuance of debt.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the Corporations' investments in securities must provide sufficient liquidity to pay obligations as they come due.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of failure of the counterparty, the Corporations will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the University's investment policy specifies certain requirements to pre-qualify financial institutions and brokers or dealers. The Corporations' investments are held by a third-party custodian, not in the name of the Corporations.

### **Other Component Units**

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the component unit will not be able to recover deposits.

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts with maturity dates of less than 90 days. At June 30, 2015, approximately \$10,423,212 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **University of Central Florida Research Foundation, Inc.** – At June 30, 2015, the Research Foundation had deposits in banking institutions. A portion of the deposits, totaling \$71,829, were in excess of the Federal deposit insurance limit as of June 30, 2015.

The Research Foundation maintains a repurchase sweep account with a local bank. The target balance in the main operating account is "swept" overnight by the bank and is collateralized by mortgage-backed securities issued by the Federal National Mortgage Association and/or the Federal Home Loan Mortgage Corporation, which have been temporarily sold to the Research Foundation under the terms of the repurchase agreement. The balance in the repurchase account as of June 30, 2015, was \$5,710,122. This amount is not included in the deposit amount uninsured by the Federal Deposit Insurance Corporation (FDIC).

- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the FDIC limits. As of June 30, 2015, \$1,925,574 of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2015, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$1,119,653, were in excess of the Federal deposit insurance limit as of June 30, 2015.

**Capital Assets.** University capital assets consist of land; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; leasehold improvements; works of art and historical treasures; and computer software and other capital assets.

These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, and \$5,000 for tangible personal property. New buildings and improvements have a \$100,000 capitalization threshold. Depreciation is computed on the straight-line basis over the following estimated useful lives

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 5 to 10 years
- Library Resources – 10 years
- Leasehold Improvements – the lesser of the remaining lease term, or the estimated useful life of the improvement
- Works of Art and Historical Treasures – 5 to 15 years
- Computer Software and Other Capital Assets – 5 to 10 years

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, interest rate swap, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

**Pensions.** For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

## **2. Reporting Changes**

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The University participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

## **3. Adjustments to Beginning Net Position**

The beginning net position of the University was decreased by \$86,114,799 due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires

the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple employer FRS and HIS defined benefit plans.

#### 4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy establishing investment parameters within applicable Florida Statutes and the University investment manual. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2015, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 298,331,630
SBA Florida Prime	1,456
SBA Debt Service Accounts	1,410,046
Certificates of Deposit	490,777
United States Government and Federally Guaranteed	
Obligations	25,957,558
Federal Agency Obligations	33,845,058
Bonds and Notes	72,556,599
Mutual Funds:	
Equities	70,220,214
Bonds	8,781,075
<b>Total University Investments</b>	<b>\$ 511,594,413</b>

Investments held by the University's component units at June 30, 2015, are reported at fair value, as follows:

<b>Investment Type</b>	<b>University of Central Florida Foundation, Inc.</b>	<b>University of Central Florida Research Foundation, Inc.</b>	<b>Total</b>
Equity - Domestic	\$ 14,976,044	\$ 688,202	\$ 15,664,246
Equity - International	61,379,989	297,017	61,677,006
Domestic Fixed Income	39,915,612	-	39,915,612
International Fixed Income	13,374,612	-	13,374,612
Global All Assets	20,923,445	-	20,923,445
Hedge Funds	27,743,101	-	27,743,101
Private Equity Funds	73,817	-	73,817
Real Assets	7,975,326	-	7,975,326
<b>Total Component Unit Investments</b>	<b>\$ 186,361,946</b>	<b>\$ 985,219</b>	<b>\$ 187,347,165</b>

### **External Investment Pools – State Treasury Special Purpose Investment Account**

The University reported investments at fair value totaling \$298,331,630 at June 30, 2015, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.67 years and fair value factor of 1.0013 at June 30, 2015. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **State Board of Administration Debt Service Accounts**

The University reported investments totaling \$1,410,046 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **Other Investments**

The University and its discretely presented component units invested in various debt and equity securities, mutual funds, and certificates of deposit. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities and bond mutual funds, and their future maturities at June 30, 2015, are as follows:

## University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	More Than 5
United States Government and Federally-Guaranteed Obligations	\$ 25,957,558	\$ 5,846,478	\$ 13,844,498	\$ 6,266,582
Federal Agency Obligations	33,845,058	3,445,281	10,894,711	19,505,066
Bonds and Notes	72,556,599	2,036,494	56,051,291	14,468,814
Mutual Funds - Bonds	8,781,075	295,099	4,866,915	3,619,061
<b>Totals</b>	<b>\$ 141,140,290</b>	<b>\$ 11,623,352</b>	<b>\$ 85,657,415</b>	<b>\$ 43,859,523</b>

## Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	More Than 5
Domestic Fixed Income	\$ 39,915,612	\$ 630,572	\$ 38,913,725	\$ 371,315
Global All Assets	13,987,907	-	7,110,841	6,877,066
Hedge Funds	2,001,338	-	2,001,338	-
International Fixed Income	13,374,612	9,147,685	-	4,226,927
<b>Totals</b>	<b>\$ 69,279,469</b>	<b>\$ 9,778,257</b>	<b>\$ 48,025,904</b>	<b>\$ 11,475,308</b>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's component units' investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories. The following schedule represents the ratings at June 30, 2015, of the University's and its component units' debt instruments using Moody's and Standard and Poor's, nationally recognized rating agencies:

## University Debt Investments Quality Ratings

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Federal Agency Obligations	\$ 33,845,058	\$ 33,845,058	\$ -	\$ -	\$ -
Bonds and Notes	72,556,599	26,962,013	11,238,196	33,051,952	1,304,438
Mutual Funds	8,781,075	-	1,138,199	291,027	7,351,849
<b>Totals</b>	<b>\$ 115,182,732</b>	<b>\$ 60,807,071</b>	<b>\$ 12,376,395</b>	<b>\$ 33,342,979</b>	<b>\$ 8,656,287</b>

## Component Units' Debt Investments Quality Ratings

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Domestic Fixed Income	\$ 39,915,612	\$ 696,045	\$ 29,125,120	\$ 239,498	\$ 9,854,949
Global All Assets	13,987,907	-	-	7,110,841	6,877,066
Hedge Funds	2,001,338	-	-	-	2,001,338
International Fixed Income	13,374,612	-	-	9,147,685	4,226,927
<b>Totals</b>	<b>\$ 69,279,469</b>	<b>\$ 696,045</b>	<b>\$ 29,125,120</b>	<b>\$ 16,498,024</b>	<b>\$ 22,960,280</b>

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University's or its component units' investments in a single issuer. The University's and its component units' investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities or single style of management having a disproportionate or significant impact on the portfolio. The University's policy states that not more than five percent of the investment portfolio's assets shall be invested in securities on any one issuing company, and no single corporate bond issuer shall exceed five percent of the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

## 5. Receivables

**Accounts Receivable.** Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 23,325,180
Student Tuition and Fees	24,978,949
Other	5,129,911
<b>Total Accounts Receivable</b>	<b>\$ 53,434,040</b>

**Loans and Notes Receivable.** Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$1,601,475 and \$728,376, respectively, at June 30, 2015.

## 6. Due From State

The amount due from State consists of \$46,465,479 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

## 7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 24,821,959	\$ -	\$ -	\$ 24,821,959
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	9,295,887	16,298,583	8,789,399	16,805,071
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 34,335,846</b>	<b>\$ 16,298,583</b>	<b>\$ 8,789,399</b>	<b>\$ 41,845,030</b>
Depreciable Capital Assets:				
Buildings	\$ 1,058,841,620	\$ 13,379,547	\$ -	\$ 1,072,221,167
Infrastructure and Other Improvements	54,565,457	86,412	-	54,651,869
Furniture and Equipment	195,083,858	12,985,543	7,764,193	200,305,208
Library Resources	115,169,682	3,686,642	-	118,856,324
Leasehold Improvements	17,256,901	518,975	-	17,775,876
Works of Art and Historical Treasures	1,665,856	11,498	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
<b>Total Depreciable Capital Assets</b>	<b>1,450,433,809</b>	<b>30,668,617</b>	<b>7,764,193</b>	<b>1,473,338,233</b>
Less, Accumulated Depreciation:				
Buildings	336,130,800	31,644,830	-	367,775,630
Infrastructure and Other Improvements	22,279,651	2,278,705	-	24,558,356
Furniture and Equipment	152,610,427	16,289,253	6,812,316	162,087,364
Library Resources	94,567,395	4,811,765	-	99,379,160
Leasehold Improvements	13,276,299	1,930,194	-	15,206,493
Works of Art and Historical Treasures	891,314	93,805	-	985,119
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
<b>Total Accumulated Depreciation</b>	<b>627,606,321</b>	<b>57,048,552</b>	<b>6,812,316</b>	<b>677,842,557</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 822,827,488</b>	<b>\$ (26,379,935)</b>	<b>\$ 951,877</b>	<b>\$ 795,495,676</b>

## 8. Unearned Revenue

Unearned revenue at June 30, 2015, includes contract and grant prepayments, auxiliary prepayments, and student tuition and fees prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contract and Grant Prepayments	\$ 6,834,358
Auxiliary Prepayments	7,443,616
Student Tuition and Fees	<u>1,026,887</u>
<b>Total Unearned Revenue</b>	<b><u>\$ 15,304,861</u></b>

## 9. Deferred Outflow / Inflow Of Resources

One of the University's blended component units (UCF Finance Corporation) entered into an interest rate swap agreement in connection with its \$60 million bond issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflows of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap agreement. Accumulated decrease in the fair value of hedging derivatives for the year ended June 30, 2015, was \$13,107,659. The Bonds Payable section of Note 10 below includes a complete discussion of the swap agreement.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$40,588,303 and deferred inflows of resources related to pensions were \$51,122,361 for the year ended June 30, 2015. Note 11 includes a complete discussion of defined benefit pension plans.

## 10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability, interest rate swap, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement					
Debt Payable	\$ 151,540,727	\$ -	\$ 9,062,381	\$ 142,478,346	\$ 8,345,000
Bonds Payable	55,380,000	-	1,295,000	54,085,000	1,355,000
Installment Purchase Payable	950,000	-	950,000	-	-
Compensated Absences Payable	43,310,977	7,313,383	2,950,500	47,673,860	3,337,170
Other Postemployment Benefits Payable	48,177,000	12,943,000	1,318,000	59,802,000	-
Net Pension Liability (1)	98,198,740	34,834,092	63,206,298	69,826,534	1,437,069
Interest Rate Swap	11,219,057	1,888,602	-	13,107,659	-
Other Noncurrent Liabilities	6,793,332	136,053	328,580	6,600,805	-
<b>Total Long-Term Liabilities</b>	<b>\$ 415,569,833</b>	<b>\$ 57,115,130</b>	<b>\$ 79,110,759</b>	<b>\$ 393,574,204</b>	<b>\$ 14,474,239</b>

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68. See Notes 2 and 3 to the financial statements.



**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2015:

<b>Capital Improvement Debt Type and Series</b>	<b>Amount of Original Debt</b>	<b>Amount Outstanding (1)</b>	<b>Interest Rates (Percent)</b>	<b>Maturity Date To</b>
Student Housing Debt:				
2002 - Housing	\$ 14,055,000	\$ 6,526,793	4.0 to 4.5	2021
2007A - Housing	38,780,000	30,060,364	4.0 to 5.5	2030
2012A - Housing	66,640,000	66,315,799	3.0 to 5.0	2042
<b>Total Student Housing Debt</b>	<b>119,475,000</b>	<b>102,902,956</b>		
Student Health Center Debt:				
2004A	8,000,000	4,396,920	4.4 to 5.0	2024
Parking Garage Debt:				
2004A - Parking Garage V	18,455,000	7,851,933	3.75 to 4.20	2024
2010A - Parking Garage VI	3,855,000	714,585	4.0	2016
2010B - Parking Garage VI	11,140,000	11,140,000	4.5 to 6.2	2029
2011A - Parking Garage	11,005,000	7,945,813	3.0 to 5.0	2022
2012A - Parking Garage	7,860,000	7,526,139	3.0 to 5.0	2032
<b>Total Parking Garage Debt</b>	<b>52,315,000</b>	<b>35,178,470</b>		
<b>Total Capital Improvement Debt</b>	<b>\$ 179,790,000</b>	<b>\$ 142,478,346</b>		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental, parking revenues, and health service facility fees based on credit hours to repay \$179,790,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing, student health facilities, and student parking garages. The bonds are payable solely from housing rental revenues, parking and transportation fees, and student health fees, and are payable through 2042. The University has committed to appropriate each year, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$199,727,603, and principal and interest paid for the current year totaled \$15,359,437. During the 2014-15 fiscal year, the University retired the Bookstore Revenue Bonds 1997. Operating revenues generated from housing rentals, parking revenues, and student health fees totaled \$29,074,662, \$20,900,616, and \$16,610,465, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 8,345,000	\$ 6,181,489	\$ 14,526,489
2017	8,155,000	5,818,121	13,973,121
2018	8,520,000	5,430,116	13,950,116
2019	8,355,000	5,013,526	13,368,526
2020	8,745,000	4,603,128	13,348,128
2021-2025	38,260,000	17,050,273	55,310,273
2026-2030	32,085,000	9,033,444	41,118,444
2031-2035	11,565,000	4,361,644	15,926,644
2036-2040	10,765,000	2,241,769	13,006,769
2041-2042	4,985,000	214,093	5,199,093
<b>Subtotal</b>	139,780,000	59,947,603	199,727,603
Net Discounts and Premiums	2,698,346		2,698,346
<b>Total</b>	<u>\$ 142,478,346</u>	<u>\$ 59,947,603</u>	<u>\$ 202,425,949</u>

**Bonds Payable.** One of the University's blended component units, the UCF Finance Corporation (Corporation), issued \$60 million in bonds to finance the construction of the Burnett Biomedical Sciences Building, part of the University's medical school. The bonds are secured by indirect cost revenues received by the University from Federal, State, and private grants and further secured by a letter of credit issued by a local bank not to exceed \$60 million. The bonds are variable interest rate bonds with a synthetic interest rate of 4.47 percent at June 30, 2015. They mature on July 1, 2037.

The University agreed to use a ground sublease to lease to its blended component unit, the Corporation, a parcel of property located in Orange County, Florida, where approximately 198,000 square feet of classroom, laboratory, and administrative office space, together with related infrastructure was constructed. The facilities are used solely for education and research purposes and are operated and managed by the University. The University and the Corporation entered into an agreement whereby the Corporation leases the facilities to the University for the occupancy of the facilities. The University has agreed to pay a base rent equal to all amounts due and payable under the bond indenture and all amounts required to be paid associated with the bond issuance.

Annual requirements to amortize the outstanding bonds as of June 30, 2015, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Bonds Payable</b>		<b>Interest</b>	<b>Net Cash</b>
	<b>Principal</b>	<b>Interest</b>	<b>Rate Swap</b>	<b>Flows</b>
2016	\$ 1,355,000	\$ 2,366,759	\$ 48,677	\$ 3,770,436
2017	1,415,000	2,307,464	47,457	3,769,921
2018	1,490,000	2,245,544	46,184	3,781,728
2019	1,555,000	2,180,342	44,843	3,780,185
2020	1,630,000	2,112,295	43,443	3,785,738
2021-2025	9,360,000	9,423,058	193,802	18,976,860
2026-2030	11,780,000	7,173,355	147,533	19,100,888
2031-2035	14,825,000	4,341,648	89,294	19,255,942
2036-2038	10,675,000	948,716	19,512	11,643,228
<b>Total</b>	<u>\$ 54,085,000</u>	<u>\$ 33,099,181</u>	<u>\$ 680,745</u>	<u>\$ 87,864,926</u>

The Corporation entered into an interest rate swap agreement in connection with \$60 million variable-rate bond issuance as a means to lower its borrowing costs when compared with fixed-rate bonds at the time of their issuance in June 2007. The Corporation utilizes such derivatives to manage the risk of rising interest rates on its variable interest-rate based debt. The counterparty to the interest rate swap agreement is a regional bank. Credit loss from counterparty nonperformance is not anticipated. Under the interest rate swap agreement, the Corporation pays the counterparty a fixed payment of 4.38 percent and receives a variable payment based on the Securities Industry and Financial Market Association swap index (0.05 percent at June 30, 2015). The variable-rate coupons of the bonds are reset weekly by the remarketing agent. As of June 30, 2015, the Corporation was not exposed to credit risk on this interest rate swap agreement because it had a negative fair value of \$13,107,659, which is reported in deferred outflows of resources on the statement of net position. This deferred outflow of resources reflects the settlement amount the Corporation would have to pay on June 30, 2015, to cancel the interest rate swap agreement. The liability is estimated based on valuation models. If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivative's fair value. In accordance with the Corporation's policy to mitigate the potential for credit risk, the Corporation may require that the fair value of the interest rate swap agreement be fully collateralized by a letter of credit if the counterparty's credit quality falls below AA/Aa. As of June 30, 2015, collateralization was not required due to the swap agreement having a negative fair value.

The University entered into a support agreement such that it will fund certain deficiencies that may arise in the event the Corporation is unable to make the minimum payments on the bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$47,673,860. The current portion of the compensated absences liability, \$3,337,170, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

**Other Postemployment Benefits Payable.** The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized)

premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 422 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,318,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$2,994,000, which represents 0.9 percent of covered payroll.

*Annual OPEB Cost and Net OPEB Obligation.* The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 7,754,000
Amortization of Unfunded Actuarial	
Accrued Liability	4,444,000
Interest on Normal Cost and Amortization	488,000
<b>Annual Required Contribution</b>	12,686,000
Interest on Net OPEB Obligation	1,927,000
Adjustment to Annual Required Contribution	(1,670,000)
<b>Annual OPEB Cost (Expense)</b>	12,943,000
Contribution Toward the OPEB Cost	(1,318,000)
<b>Increase in Net OPEB Obligation</b>	11,625,000
Net OPEB Obligation, Beginning of Year	48,177,000
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 59,802,000</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 11,519,000	16.1%	\$ 35,492,000
2013-14	14,095,000	10.0%	48,177,000
2014-15	12,943,000	10.2%	59,802,000

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$141,984,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$141,984,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$333,695,268 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 42.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

**Net Pension Liability.** As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple employer defined benefit plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled \$69,826,534. Note 11 includes a complete discussion of defined benefit pension plans.

**Interest Rate Swap.** As described previously in the Bonds Payable paragraph above, the Corporation entered into an interest rate swap agreement in connection with its \$60 million bond issuance. As of June 30, 2015, this interest rate swap agreement had a negative fair value of \$13,107,659.

**Other Noncurrent Liabilities.** Other noncurrent liabilities primarily consist of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$6,470,375 as of June 30, 2015.

**Certificate of Participation Payable – Component Units.** During the 2004-05 and 2005-06 fiscal years, two certificates of participation were issued by the UCF Convocation Corporation to fund the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space. Also during the 2005-06 fiscal year, the UCF Convocation Corporation issued two additional certificates of participation to fund the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure.

The UCF Convocation Corporation extinguished Certificate of Participation long-term debt obligations by the issuance of new Certificate of Participation debt instruments as follows:

- On May 29, 2014, the UCF Convocation Corporation issued a \$58,645,000 Refunding Certificate of Participation, Series 2014A to a bank. The certificate will mature on October 1, 2034, and bears interest at a fixed rate of 3.61 percent per annum. Proceeds of \$58,482,785 from the Refunding Certificate plus an additional \$1,236,784 from a Series 2004A account were used to purchase \$59,719,569 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004A tax-exempt certificates, which defeased the certificates. The trust extinguished the defeased certificates on October 1, 2014. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by \$9,893,750 over the next 20 years and obtained an economic gain of \$6,944,510.
- On October 9, 2014, the UCF Convocation Corporation issued a \$58,930,000 Refunding Certificate of Participation, Series 2014B to a bank. The certificate will mature on October 1, 2035, and bears interest at a fixed rate of 3.8 percent per annum. Proceeds of \$58,770,583 from the Refunding Certificate plus an additional \$1,577,608 from the Series 2005A account were used to purchase \$60,348,191 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2005A tax-exempt certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the debt on October 1, 2015. At June 30, 2015, the outstanding balance of the defeased debt was \$57,555,000. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by \$7,386,158 over the next 20 years and obtained an economic gain of \$3,469,972.

The outstanding balance of the remaining UCF Convocation Corporation certificates at June 30, 2015, was \$208,775,000, before an unamortized premium of \$899,991.

During the 2006-07 fiscal year, certificates of participation were issued by the UCF Stadium Corporation for the construction of a football stadium on the campus of the University. The outstanding balance of all UCF Stadium Corporation certificates, including the new tax-exempt certificates mentioned in the paragraph below, at June 30, 2015, was \$43,470,000, before an unamortized premium of \$376,253. The certificates are secured by a pledge from the UCF Athletic Association, Inc., of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue.

In December 2014, the UCF Stadium Corporation issued a \$4,010,000 tax-exempt certificate of participation to finance a portion of the costs of designing, acquiring, constructing, and equipping an approximately 22,500 square-foot Student Leadership Center facility. The facility will provide ample space for increased student services as well as room to house the athletic compliance offices and career services programming. The certificate is secured by a pledge from the UCF Athletics Association of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue. The certificate will mature in March 2029 and bears interest at a fixed rate of 2.49 percent per annum.

The University entered into support agreements with the UCF Convocation Corporation and the UCF Stadium Corporation such that it will fund certain deficiencies that may arise in the event either corporation is unable to make the minimum payments on the bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

In addition, the University has entered into various support agreements with UCF Convocation Corporation whereby, in the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. For the fiscal year ended June 30, 2015, transfers from the University totaled \$1,798,985.

Also, in fiscal year 2015, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the Convocation Corporation's trustee. The Convocation Corporation's governing board made the decision to remit these funds back to the University. Transfers to the University were \$185,810 for the fiscal year ended June 30, 2015.

**Loans and Notes Payable – Component Units.** In October 1997, the University of Central Florida Foundation, Inc., signed renewal annuity notes payable with two Charitable Remainder Annuity Trusts for which the Foundation is named as irrevocable beneficiary. As of June 30, 2015, the outstanding principal balance of the notes payable was \$1,963,551 and annuity obligations were \$529,784. The notes mature in October 2017.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc., entered into two notes of \$2,800,000 and \$10,400,000, respectively, with banks for the purchase of land and buildings. The \$10,400,000 note was refinanced during the 2008-09 fiscal year. The notes are secured by the land, buildings, and lease revenues. The combined outstanding balances of the notes payable were \$9,340,000 at June 30, 2015 and the notes mature in April 2016 and April 2029, respectively.

During the 2007-08 fiscal year, the UCF Stadium Corporation entered into a loan agreement with a bank for \$16,700,000. The proceeds of the loan were used to purchase all of the formerly issued and

outstanding Series 2006B taxable certificates of participation. Those certificates of participation are held in trust and have been registered in the name of the bank as pledgee. The note is payable from and secured by a lien upon and pledge of all payments received with respect to the certificates. The outstanding balance of the note payable at June 30, 2015, was \$11,430,000, and the loan matures in April 2016.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc., entered into a loan agreement with a bank for \$19,925,000. The note is comprised of both tax-exempt and taxable portions. The note is secured by buildings and lease revenue. The outstanding balance for both the taxable and tax exempt portions was \$15,925,000 and the loan matures in October 2025.

The University of Central Florida Foundation, Inc., entered into a \$2,450,000 line of credit with a credit union in November 2004, for construction of the Alumni Center. As of June 30, 2015, the outstanding principal balance of the line of credit was \$161,713.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc., modified a construction line of credit with a local bank to a line of credit promissory note. The note matures in June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. In June 2015, the UCF Athletics Association renewed the agreement until July 2016, which carries interest at 67 percent of LIBOR plus 1.34 percent (1.46 percent at June 30, 2015). The note is secured by an amount not to exceed 5 percent of the prior year's collection of student athletic fees and conference payments from the American Athletic Conference. As of June 30, 2015, the amount outstanding on the note was \$6,434,999.

In June 2015, the UCF Athletics Association, Inc., also renewed an operating line of credit agreement with a local bank for \$2,000,000. The line carries an interest rate of LIBOR plus 2.00 percent (2.18 percent at June 30, 2015). The line is secured by all contract royalties under a multimedia agreement, as well as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2015, there was no amount outstanding on the operating line of credit.

**Due to University – Component Units.** The UCF Athletics Association received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. The amended payment schedule reduced the fiscal year 2015 payment from \$750,000 to \$400,000. A payment of \$3,031,485 is required for fiscal year 2016 with future years' payments ranging from \$500,000 to \$1,200,000. The loan matures in fiscal year 2025 and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return. As of June 30, 2015, the amount outstanding, including interest, totaled \$9,946,557.

## **11. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS)**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined



contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the State and faculty and specified employees in the State university system.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The University's pension expense totaled \$9,161,965 for the 2014-15 fiscal year for both the FRS Pension Plan and HIS Program.

### **FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
<b>Senior Management Service Class</b>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The University's contributions to the Plan totaled \$13,120,834 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the University reported a liability of \$29,549,660 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.48 percent, which was an increase of 0.12 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$6,178,887. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,828,622
Change of assumptions	5,117,509	-
Net difference between projected and actual earnings on pension plan investments	-	49,293,739
Changes in proportion and differences between University contributions and proportionate share of contributions	17,947,514	-
University contributions subsequent to the measurement date	13,120,834	-
<b>Total</b>	<b>\$ 36,185,857</b>	<b>\$ 51,122,361</b>

The deferred outflows of resources related to pensions totaling \$13,120,834, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension

liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (8,316,567)
2017	(8,316,567)
2018	(8,316,567)
2019	(8,316,566)
2020	4,006,868
Thereafter	1,202,061
<b>Total</b>	<b>\$ (28,057,338)</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table as presented in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.65 percent. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

*Sensitivity of the University's Proportionate Share of the Net Position Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
University's proportionate share of the net pension liability (asset)	\$ 126,387,820	\$ 29,549,660	\$ (51,001,212)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan.* At June 30, 2015, the University reported a payable of \$839,169 for the outstanding amount of contributions in the pension plan required for the fiscal year ended June 30, 2015.

### **HIS Pension Plan**

*Plan Description.* The HIS Pension Plan (HIS Plan) is a cost-sharing multiple employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided.* For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$1,795,341 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the University reported a liability of \$40,276,874 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.43 percent, which was an increase of 0.01 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of \$2,983,076. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 1,433,211
Net difference between projected and actual earnings on HIS pension plan investments	19,334
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,154,560
University contributions subsequent to the measurement date	1,795,341
<b>Total</b>	<b>\$ 4,402,446</b>

The deferred outflows of resources totaling \$1,795,341 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 422,216
2017	422,216
2018	422,216
2019	422,214
2020	417,382
Thereafter	500,861
<b>Total</b>	<b>\$ 2,607,105</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

*Discount Rate.* The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	<u>1% Decrease (3.29%)</u>	<u>Current Discount Rate (4.29%)</u>	<u>1% Increase (5.29%)</u>
University's proportionate share of the net pension liability	<u>\$ 45,811,682</u>	<u>\$ 40,276,874</u>	<u>\$ 35,656,892</u>

*Pension Plan Fiduciary Net Position.* Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

## 12. Retirement Plans – Defined Contribution Pension Plans

**FRS Investment Plan.** The State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution,



leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$3,829,240 for the fiscal year ended June 30, 2015, which includes an unfunded actuarial liability contribution for the FRS pension plan and a contribution for the postemployment health insurance subsidy.

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, less a small amount used to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$14,751,397, which includes the unfunded actuarial liability contribution, and employee contributions totaled \$9,917,294 for the 2014-15 fiscal year

### 13. Construction Commitments

The University's major construction commitments at June 30, 2015, are as follows:

<b><u>Project Description</u></b>	<b><u>Total Commitment</u></b>	<b><u>Completed to Date</u></b>	<b><u>Balance Committed</u></b>
Global Achievement Building	\$ 15,302,756	\$ 3,695,695	\$ 11,607,061
Bennett Building Renovations	5,208,935	2,641,641	2,567,294
Libra Drive Widening Project	4,254,988	506,448	3,748,540
Interdisciplinary Research & Incubator Facility	2,522,731	624,838	1,897,893
CARP II Road Improvements Project	1,121,967	239,671	882,296
<b>Subtotal</b>	<b>28,411,377</b>	<b>7,708,293</b>	<b>20,703,084</b>
Other Projects (1)	11,134,857	9,096,778	2,038,079
<b>Total</b>	<b>\$ 39,546,234</b>	<b>\$ 16,805,071</b>	<b>\$ 22,741,163</b>

Note: (1) Individual projects with current balance committed of less than \$500,000 at June 30, 2015.

## 14. Operating Lease Commitments

The University leased buildings under operating leases, which expire in various intervals through 2036. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 12,751,416
2017	12,978,569
2018	12,685,418
2019	12,118,312
2020	9,063,105
2021-2025	14,234,597
2026-2030	11,000,000
2031-2035	11,000,000
2036	2,200,000
<b>Total Minimum Payments Required</b>	<b>\$ 98,031,417</b>

The University of Central Florida Foundation, Inc., receives rents and reimbursements for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2015, were \$9,009,515.

The University has also entered into lease and rental agreements with the UCF Convocation Corporation for use of the Convocation Center, parking garages, and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2015, totaled \$4,623,582.

## 15. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2014-15 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$54 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person,

and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

#### **University Self-Insured Program.**

The University of Central Florida, College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the University of Central Florida Board of Trustees and students for claims and actions arising from the clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff and resident physicians. The Program provides legislative claims bill protection.

Prior to October 1, 2011, the Program provided the Board of Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the same occurrence for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. In response to the Florida Legislature increasing the limits of liability contained in Section 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 from all claims arising from a single occurrence. By action of the UCF College of Medicine Self-Insurance Program Council, on March 23, 2012, the student coverage was increased to \$200,000 per claim and \$300,000 from all claims arising from the same occurrence; the \$1,000,000 increased limit was not affected by this action. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not

reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2013-14 and 2014-15 fiscal years are presented in the following table:

<u>Fiscal Year</u>	<u>Claims Liability Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claims Liability End of Year</u>
June 30, 2014	\$ 43,303	\$ (5,750)	\$ -	\$ 37,553
June 30, 2015	37,553	6,099	323	43,329

## 16. Litigation

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

## 17. Functional Distribution Of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 278,683,118
Research	114,511,402
Public Services	6,997,990
Academic Support	62,698,897
Student Services	50,626,401
Institutional Support	95,556,364
Operation and Maintenance of Plant	43,495,578
Scholarships and Fellowships	87,874,507
Depreciation	57,048,552
Auxiliary Enterprises	82,398,044
Loan Operations	328,042
<b>Total Operating Expenses</b>	<b>\$ 880,218,895</b>

## 18. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Housing, Parking, and Health Services facilities represents identifiable activities for which one or more bonds are outstanding:

## Condensed Statement of Net Position

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Service Capital Improvement Debt
<b>Assets</b>			
Current Assets	\$ 15,956,579	\$ 14,278,373	\$ 7,577,708
Capital Assets, Net	100,479,457	57,475,891	8,089,036
Other Noncurrent Assets	11,267,785	10,427,181	8,045,005
<b>Total Assets</b>	<b>127,703,821</b>	<b>82,181,445</b>	<b>23,711,749</b>
<b>Liabilities</b>			
Current Liabilities	8,881,062	4,429,683	1,037,155
Noncurrent Liabilities	98,964,702	31,829,452	4,672,071
<b>Total Liabilities</b>	<b>107,845,764</b>	<b>36,259,135</b>	<b>5,709,226</b>
<b>Net Position</b>			
Net Investment in Capital Assets	(2,423,499)	22,297,422	3,692,116
Restricted - Expendable	11,081,265	10,245,659	8,014,165
Unrestricted	11,200,291	13,379,229	6,296,242
<b>Total Net Position</b>	<b>\$ 19,858,057</b>	<b>\$ 45,922,310</b>	<b>\$ 18,002,523</b>

Condensed Statement of Revenues, Expenses,  
and Changes in Net Position

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Capital Improvement Debt
Operating Revenues	\$ 29,074,663	\$ 20,900,616	\$ 21,388,974
Depreciation Expense	(4,908,482)	(2,369,342)	(438,880)
Other Operating Expenses	(14,830,635)	(10,993,631)	(15,455,625)
<b>Operating Income</b>	<b>9,335,546</b>	<b>7,537,643</b>	<b>5,494,469</b>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	421,354	556,120	233,465
Interest Expense	(4,552,358)	(1,485,972)	(229,938)
Other Nonoperating Expense	(354)	(16,092)	(430)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(4,131,358)</b>	<b>(945,944)</b>	<b>3,097</b>
Other Revenues, Expenses, Gains, or Losses	(2,176,359)	(1,250,756)	(1,990,468)
<b>Increase in Net Position</b>	<b>3,027,829</b>	<b>5,340,943</b>	<b>3,507,098</b>
Net Position, Beginning of Year	16,830,228	40,581,367	14,495,425
<b>Net Position, End of Year</b>	<b>\$ 19,858,057</b>	<b>\$ 45,922,310</b>	<b>\$ 18,002,523</b>

## Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Service Capital Improvement Debt
Net Cash Provided (Used) by:			
Operating Activities	\$ 13,719,906	\$ 9,702,332	\$ 6,058,430
Noncapital Financing Activities	(2,123,706)	(1,244,497)	(1,949,257)
Capital and Related Financing Activities	(10,866,313)	(6,034,509)	(769,115)
Investing Activities	(435,243)	(2,186,410)	(3,057,712)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>294,644</b>	<b>236,916</b>	<b>282,346</b>
Cash and Cash Equivalents, Beginning of Year	1,843,288	1,561,862	909,416
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,137,932</b>	<b>\$ 1,798,778</b>	<b>\$ 1,191,762</b>

## 19. Blended Component Units

The University has two blended component units as discussed in Note 1. The following financial information is presented net of eliminations for the University's blended component units:

## Condensed Statement of Net Position

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
<b>Assets:</b>						
Current Assets	\$ 4,737,708	\$ 3,672,259	\$ 8,409,967	\$ 556,811,469	\$ -	\$ 565,221,436
Capital Assets, Net	-	-	-	837,340,706	-	837,340,706
Due From University / Blended CU	49,705,631	-	49,705,631	-	(49,705,631)	-
Other Noncurrent Assets	-	-	-	122,492,257	-	122,492,257
<b>Total Assets</b>	<b>54,443,339</b>	<b>3,672,259</b>	<b>58,115,598</b>	<b>1,516,644,432</b>	<b>(49,705,631)</b>	<b>1,525,054,399</b>
<b>Deferred Outflows of Resources</b>	<b>13,107,659</b>	<b>-</b>	<b>13,107,659</b>	<b>40,588,303</b>	<b>-</b>	<b>53,695,962</b>
<b>Liabilities:</b>						
Current Liabilities	1,571,740	46,329	1,618,069	80,211,225	-	81,829,294
Due To University / Blended CU	-	-	-	49,705,631	(49,705,631)	-
Other Noncurrent Liabilities	65,837,659	-	65,837,659	313,262,306	-	379,099,965
<b>Total Liabilities</b>	<b>67,409,399</b>	<b>46,329</b>	<b>67,455,728</b>	<b>443,179,162</b>	<b>(49,705,631)</b>	<b>460,929,259</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,122,361</b>	<b>-</b>	<b>51,122,361</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	-	-	-	646,845,968	-	646,845,968
Restricted - Expendable	141,599	3,625,930	3,767,529	174,966,257	-	178,733,786
Unrestricted	-	-	-	241,118,987	-	241,118,987
<b>Total Net Position</b>	<b>\$ 141,599</b>	<b>\$ 3,625,930</b>	<b>\$ 3,767,529</b>	<b>\$ 1,062,931,212</b>	<b>\$ -</b>	<b>\$ 1,066,698,741</b>

## Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Operating Revenues	\$ -	\$ 183,334	\$ 183,334	\$ 481,112,526	\$ (171,949)	\$ 481,123,911
Depreciation Expense	-	-	-	(57,048,552)	-	(57,048,552)
Other Operating Expenses	(200,024)	(109,076)	(309,100)	(822,850,792)	(10,451)	(823,170,343)
<b>Operating Income (Loss)</b>	<b>(200,024)</b>	<b>74,258</b>	<b>(125,766)</b>	<b>(398,786,818)</b>	<b>(182,400)</b>	<b>(399,094,984)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Nonoperating Revenue	2,774,464	43,825	2,818,289	454,735,648	(2,901,318)	454,652,619
Interest Expense	(2,430,951)	-	(2,430,951)	(6,312,781)	-	(8,743,732)
Other Nonoperating Expense	(143,489)	-	(143,489)	(39,450,031)	3,083,718	(36,509,802)
<b>Net Nonoperating Revenues</b>	<b>200,024</b>	<b>43,825</b>	<b>243,849</b>	<b>408,972,836</b>	<b>182,400</b>	<b>409,399,085</b>
Other Revenues, Expenses, Gains, and Losses	-	-	-	20,348,142	-	20,348,142
<b>Increase in Net Position</b>	<b>-</b>	<b>118,083</b>	<b>118,083</b>	<b>30,534,160</b>	<b>-</b>	<b>30,652,243</b>
Net Position, Beginning of Year	141,599	3,507,847	3,649,446	1,118,511,851	-	1,122,161,297
Adjustment to Beginning Net Position	-	-	-	(86,114,799)	-	(86,114,799)
<b>Net Position, Beginning of Year, as Restated</b>	<b>141,599</b>	<b>3,507,847</b>	<b>3,649,446</b>	<b>1,032,397,052</b>	<b>-</b>	<b>1,036,046,498</b>
<b>Net Position, End of Year</b>	<b>\$ 141,599</b>	<b>\$ 3,625,930</b>	<b>\$ 3,767,529</b>	<b>\$ 1,062,931,212</b>	<b>\$ -</b>	<b>\$ 1,066,698,741</b>

## Condensed Statement of Cash Flows

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Net Cash Provided (Used) By:						
Operating Activities	\$ (201,405)	\$ 122,274	\$ (79,131)	\$ (336,267,343)	\$ (183,334)	\$ (336,529,808)
Noncapital Financing Activities	-	-	-	416,250,285	2,614,866	418,865,151
Capital and Related Financing Activities	(1,293,368)	-	(1,293,368)	(58,803,921)	(2,431,532)	(62,528,821)
Investing Activities	19,268	(29,156)	(9,888)	(24,931,071)	-	(24,940,959)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,475,505)</b>	<b>93,118</b>	<b>(1,382,387)</b>	<b>(3,752,050)</b>	<b>-</b>	<b>(5,134,437)</b>
Cash and Cash Equivalents, Beginning of Year	6,090,733	1,507,655	7,598,388	47,326,080	-	54,924,468
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,615,228</b>	<b>\$ 1,600,773</b>	<b>\$ 6,216,001</b>	<b>\$ 43,574,030</b>	<b>\$ -</b>	<b>\$ 49,790,031</b>

## 20. Discretely Presented Component Units

The University has six discretely presented component units as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

**Condensed Statement of Net Position**

	Direct-Support Organizations					Other	
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organization, Inc.
							Total
<b>Assets:</b>							
Current Assets	\$ 21,835,234	\$ 10,574,452	\$ 5,181,854	\$ 18,510,462	\$ 9,846,897	\$ 65,948,899	\$ 1,432,677
Capital Assets, Net	77,344,019	-	15,558,743	162,995,918	49,047,461	304,946,141	260,344
Other Noncurrent Assets	190,739,045	985,219	-	13,270,404	9,822,026	214,816,694	-
<b>Total Assets</b>	<b>289,918,298</b>	<b>11,559,671</b>	<b>20,740,597</b>	<b>194,776,784</b>	<b>68,716,384</b>	<b>585,711,734</b>	<b>1,693,021</b>
<b>Deferred Outflows of Resources</b>	<b>69,847</b>	<b>-</b>	<b>-</b>	<b>690,274</b>	<b>-</b>	<b>760,121</b>	<b>-</b>
<b>Liabilities:</b>							
Current Liabilities	5,169,748	6,551,745	6,951,178	11,126,206	16,654,897	46,453,774	161,077
Noncurrent Liabilities	27,426,417	-	13,588,436	203,209,991	42,418,253	286,643,097	-
<b>Total Liabilities</b>	<b>32,596,165</b>	<b>6,551,745</b>	<b>20,539,614</b>	<b>214,336,197</b>	<b>59,073,150</b>	<b>333,096,871</b>	<b>161,077</b>
<b>Net Position:</b>							
Net Investment in Capital Assets	52,148,866	-	9,044,312	(44,185,610)	(3,005,436)	14,002,132	260,344
Restricted	186,124,842	762,867	-	23,724,932	12,233,249	222,845,890	-
Unrestricted	19,118,272	4,245,059	(8,843,329)	1,591,539	415,421	16,526,962	1,271,600
<b>Total Net Position</b>	<b>\$ 257,391,980</b>	<b>\$ 5,007,926</b>	<b>\$ 200,983</b>	<b>\$ (18,869,139)</b>	<b>\$ 9,643,234</b>	<b>\$ 253,374,984</b>	<b>\$ 1,531,944</b>



**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	Direct-Support Organizations					Other		
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organization, Inc.	Total
Operating Revenues	\$ 31,170,354	\$ 7,333,827	\$ 43,687,785	\$ 28,975,125	\$ 2,953,792	\$ 114,120,883	\$ 1,811,810	\$ 115,932,693
Depreciation Expense	(1,925,514)	-	(821,982)	(5,990,449)	(1,629,227)	(10,367,172)	(114,714)	(10,481,886)
Operating Expenses	(37,816,233)	(6,651,573)	(41,457,855)	(14,783,206)	(326,893)	(101,035,760)	(852,928)	(101,888,688)
<b>Operating Income</b>	<b>(8,571,393)</b>	<b>682,254</b>	<b>1,407,948</b>	<b>8,201,470</b>	<b>997,672</b>	<b>2,717,951</b>	<b>844,168</b>	<b>3,562,119</b>
Net Nonoperating Revenues (Expenses)								
Nonoperating Revenues	8,962,491	231,661	271,229	2,267,064	5,834,943	17,567,388	514,456	18,081,844
Interest Expense	-	-	(194,643)	(9,126,308)	(1,974,721)	(11,295,672)	-	(11,295,672)
Other Nonoperating Expenses	(34,145)	-	(905,121)	(2,785,810)	-	(3,725,076)	(150,293)	(3,875,369)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>8,928,346</b>	<b>231,661</b>	<b>(828,535)</b>	<b>(9,645,054)</b>	<b>3,860,222</b>	<b>2,546,640</b>	<b>364,163</b>	<b>2,910,803</b>
Other Revenues, Expenses, Gains, and Losses	3,786,805	-	-	-	-	3,786,805	-	3,786,805
<b>Increase (Decrease) in Net Position</b>	<b>4,143,758</b>	<b>913,915</b>	<b>579,413</b>	<b>(1,443,584)</b>	<b>4,857,894</b>	<b>9,051,396</b>	<b>1,208,331</b>	<b>10,259,727</b>
<b>Net Position, Beginning of Year</b>	<b>253,248,222</b>	<b>4,094,011</b>	<b>(378,430)</b>	<b>(17,425,555)</b>	<b>4,785,340</b>	<b>244,323,588</b>	<b>323,613</b>	<b>244,647,201</b>
<b>Net Position, End of Year</b>	<b>\$ 257,391,980</b>	<b>\$ 5,007,926</b>	<b>\$ 200,983</b>	<b>\$ (18,869,139)</b>	<b>\$ 9,643,234</b>	<b>\$ 253,374,984</b>	<b>\$ 1,531,944</b>	<b>\$ 254,906,928</b>

## 21. Current Unrestricted Funds

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

### Statement of Current Unrestricted Funds Net Position

#### ASSETS

##### Current Assets:

Cash and Cash Equivalents	\$ 34,550,306
Investments	378,416,282
Accounts Receivable, Net	28,865,249
Due from Component Units	3,492,364
Inventories	2,446,206
Other Current Assets	5,658,202
<b>Total Current Assets</b>	<b>453,428,609</b>

##### Noncurrent Assets:

Due from Component Units	6,915,072
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<b>TOTAL ASSETS</b>	<b>460,343,681</b>
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#### DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	40,588,303
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#### LIABILITIES

##### Current Liabilities:

Accounts Payable	10,959,026
Salaries and Wages Payable	11,373,250
Deposits Payable	350,036
Due to Component Units	203,832
Due to Other Funds	59,656
Unearned Revenue	8,470,503
Compensated Absences Payable	3,335,206
Net Pension Liability	1,437,069
<b>Total Current Liabilities</b>	<b>36,188,578</b>

##### Noncurrent Liabilities:

Compensated Absences Payable	44,310,593
Other Postemployment Benefits Payable	59,802,000
Net Pension Liability	68,389,465

<b>TOTAL LIABILITIES</b>	<b>208,690,636</b>
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#### DEFERRED INFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	51,122,361
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<b>TOTAL NET POSITION</b>	<b>\$ 241,118,987</b>
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## Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

**REVENUES**

## Operating Revenues:

Student Tuition and Fees (Pledged for Capital Improvement Debt: \$16,610,465 for Student Health and \$13,816,823 for Parking) (1)	\$ 390,975,384
Federal Grants and Contracts	4,843
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$29,041,650 for Housing and \$6,059,266 for Parking)	69,459,152
Other Operating Revenues (Pledged for Capital Improvement Debt: \$33,012 for Housing and \$1,024,527 for Parking)	4,074,430
<b>Total Operating Revenues</b>	<b>464,513,809</b>

**EXPENSES**

## Operating Expenses:

Compensation and Employee Benefits	461,893,158
Services and Supplies	133,792,684
Utilities and Communications	23,440,528
Scholarships, Fellowships, and Waivers	50,901,571
<b>Total Operating Expenses</b>	<b>670,027,941</b>
<b>Operating Loss</b>	<b>(205,514,132)</b>

**NONOPERATING REVENUES (EXPENSES)**

State Noncapital Appropriations	301,945,200
Investment Income	8,325,495
Other Nonoperating Revenues	8,199,404
Other Nonoperating Expenses	(25,377,791)

<b>Net Nonoperating Revenues</b>	<b>293,092,308</b>
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**Income Before Other Revenues,**

<b>Expenses, Gains, or Losses</b>	<b>87,578,176</b>
Capital Grants, Contracts, Donations, and Fees	1,000
Transfers to/from Other Funds	(70,293,399)

<b>Increase in Net Position</b>	<b>17,285,777</b>
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Net Position, Beginning of Year	309,948,009
Adjustment to Beginning Net Position (2)	(86,114,799)

<b>Net Position, Beginning of Year, as Restated</b>	<b>223,833,210</b>
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<b>Net Position, End of Year</b>	<b>\$ 241,118,987</b>
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Notes: (1) Student tuition and fees revenue are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in the student tuition and fees revenue for the purpose of this disclosure.

(2) Adjustments to beginning net position due to the implementation of GASB Statement No. 68, which requires employers participating in cost-sharing multiple employer defined pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

## 22. Subsequent Events

In August 2015, the UCF Convocation Corporation issued Refunding Revenue Bonds, Series 2015A of \$48,385,000 and Taxable Refunding Revenue Bonds, Series 2015B of \$34,775,000 to a bank. The Series 2015A bonds were issued with a net premium of \$1,141,101, and Series 2015B bonds were issued

at par. These issuances include both term and serial bonds with maturity dates extending through October 2035 and interest rates ranging from 0.75 percent to 5.0 percent. Proceeds of \$83,616,682 from the Refunding Revenue Bonds Series 2015A and taxable Series 2015B (Series 2015 bonds) plus an additional \$10,952,357 from the original issuance of the Series 2005A and 2005B certificates were used to purchase \$94,569,039 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding 2005A and 2005B certificates, which defeased the certificates. The UCF Convocation Corporation extinguished the debt on October 1, 2015.

The defeasance of the 2005A and 2005B certificates terminated the ground lease agreement between the University and the UCF Convocation Corporation, resulting in the UCF Convocation Corporation transferring \$71 million in net carrying value of related buildings and improvements to the University. Pursuant to the Operating Agreement between the University and the UCF Convocation Corporation, the UCF Convocation Corporation will continue to operate and maintain the facilities, and the University will relinquish its right to the future revenues earned by the facilities to the UCF Convocation Corporation. The revenues generated by and through such operation will secure repayment of the Series 2015 bonds.

In December 2015, the Corporation issued Refunding Revenue Bonds, Series 2015A of \$33,995,000 and Taxable Refunding Revenue Bonds, Series 2015B of \$10,250,000 to a bank. The Series 2015A bonds were issued with a net premium of \$2,332,576, and the Series 2015B bonds were issued at par. These issuances include both term and serial bonds with maturity dates extending through March 2036 and interest rates ranging from 1.60 percent to 5.15 percent. Proceeds of \$46,577,576 from the Refunding Revenue Bonds minus issuance-related costs of \$432,396, plus an additional \$5,312,062 from the Stadiums Debt Service Reserve funds were used to purchase \$40,376,088 of U.S. Treasury State and Local Government Series Securities and \$11,081,154 was used to extinguish the Series 2006B taxable certificates. The securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding Series 2006A certificates, which defeased the certificates. The Corporation expects to extinguish the Series 2006A certificates on March 1, 2016.

The defeasance of the Series 2006A certificates and extinguishment of the Series 2006B certificates terminated the ground lease agreement between the University and the UCF Stadium Corporation, resulting in the UCF Stadium Corporation transferring \$46 million in net carrying value of all buildings and improvements to the University. Pursuant to the Operating Agreement between the University and the UCF Stadium Corporation, the UCF Stadium Corporation will continue to operate and maintain the football stadium, and the University will relinquish its right to the future revenues earned by the football stadium to the UCF Stadium Corporation. The revenues generated by and through such operation will secure repayment of the Series 2015 bonds.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

### **Schedule of Funding Progress – Other Postemployment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 83,256,000	\$ 83,256,000	0%	\$ 255,712,129	32.6%
7/1/2011	-	118,673,000	118,673,000	0%	280,490,639	42.3%
7/1/2013 (2)	-	141,984,000	141,984,000	0%	305,107,256	46.5%

Notes: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

(2) The July 1, 2013, unfunded actuarial liability of \$141,984,000 was higher than the July 1, 2011, liability of \$118,673,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

### **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**

	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.48%	0.36%
University's proportionate share of the FRS net pension liability	\$ 29,549,660	\$ 62,036,419
University's covered-employee payroll (2)	\$ 305,107,256	\$ 289,894,138
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	9.69%	21.40%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of University Contributions –  
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 13,120,834	\$ 10,608,311
FRS contributions in relation to the contractually required contribution	<u>(13,120,834)</u>	<u>(10,608,311)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 333,695,268	\$ 305,107,256
FRS contributions as a percentage of covered-employee payroll	3.93%	3.48%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of the University's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan**

	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.43%	0.42%
University's proportionate share of the HIS net pension liability	\$ 40,276,874	\$ 36,162,321
University's covered-employee payroll (2)	\$ 127,489,508	\$ 122,964,996
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.59%	29.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of University Contributions –  
Health Insurance Subsidy Pension Plan**

	<b>2015 (1)</b>	<b>2014 (1)</b>
Contractually required HIS contribution	\$ 1,795,341	\$ 1,475,630
HIS contributions in relation to the contractually required contribution	<u>(1,795,341)</u>	<u>(1,475,630)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 140,702,712	\$ 127,489,508
HIS contributions as a percentage of covered-employee payroll	1.28%	1.16%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Schedule of Net Pension Liability And Schedule of Contributions –  
Florida Retirement System Pension Plan**

*Changes of assumptions.* As of June 30, 2014, the inflation rate assumption was decreased from 3.00 percent to 2.60 percent, the real payroll growth assumption was decreased from 1.00 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4.00 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

**2. Schedule of Net Pension Liability And Schedule of Contributions –  
Health Insurance Subsidy Pension Plan**

*Changes of assumptions.* The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722  
Fax: (850) 488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 11, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on



a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
December 11, 2015

**ITEM: INFO-6**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** Financial Aid Presentation

**DATE:** March 2, 2016

---

For information only.

Attachment A: Financial Aid Overview

Attachment A

# Access, Quality, and Success



## Financial Aid Overview

March 2, 2016

Dr. Gordon Chavis

Associate Vice President for Student Development and Enrollment Services

Alicia Keaton

Director, Student Financial Assistance, Student Development and Enrollment Services



# Overview

- UCF Student Financial Aid
- Student Debt
- UCF Financial Literacy Program Counseling



# SDES: Helping students stay in school, be healthy and live ethically

Safety, Security, Prevention, Care

Enrollment

Student Learning and Success

Career Readiness and Support

Social Justice – Diversity and Inclusion



# Quality: FTIC - Fall

Fall	Enrolled	Average SAT	Average ACT	Average GPA
2010	3657	1237	26.8	3.82
2011	3754	1250	27.0	3.87
2012	3638	1244	27.1	3.91
2013	3378	1248	27.1	3.89
2014	3745	1256	27.4	3.92
2015	3711	1261	27.6	4.0





**FALL 2015**  
**Freshman (FTIC)**  
CLASS PROFILE

**69**

**NEW** NATIONAL  
**MERIT**  
FRESHMEN

**ACT**  
**27.6**

**4.0**  
**GPA**



**1261** **SAT**  
(3-SECTION AVG. = 1854)

**APPLICATIONS**

**24,000**

**TOP FIVE  
MAJORS**

1. ENGINEERING
2. BIOMEDICAL SCIENCES
3. COMPUTER SCIENCE
4. BIOLOGY
5. PSYCHOLOGY



# Student Financial Aid





# Student Financial Aid



# Financial Aid Philosophy

Leveraging student aid to better support student progression and student success.

- UCF Grant - awarded to students who demonstrate substantial financial need and are enrolled full-time
- Orion - awarded to students who are not eligible for Pell Grant funding but have financial need and are enrolled full-time
- Millican Gold - awarded to students who did not meet Florida Bright Futures Scholarship state renewal requirements, have financial need, are enrolled full-time, and are successfully progressing in their program of study



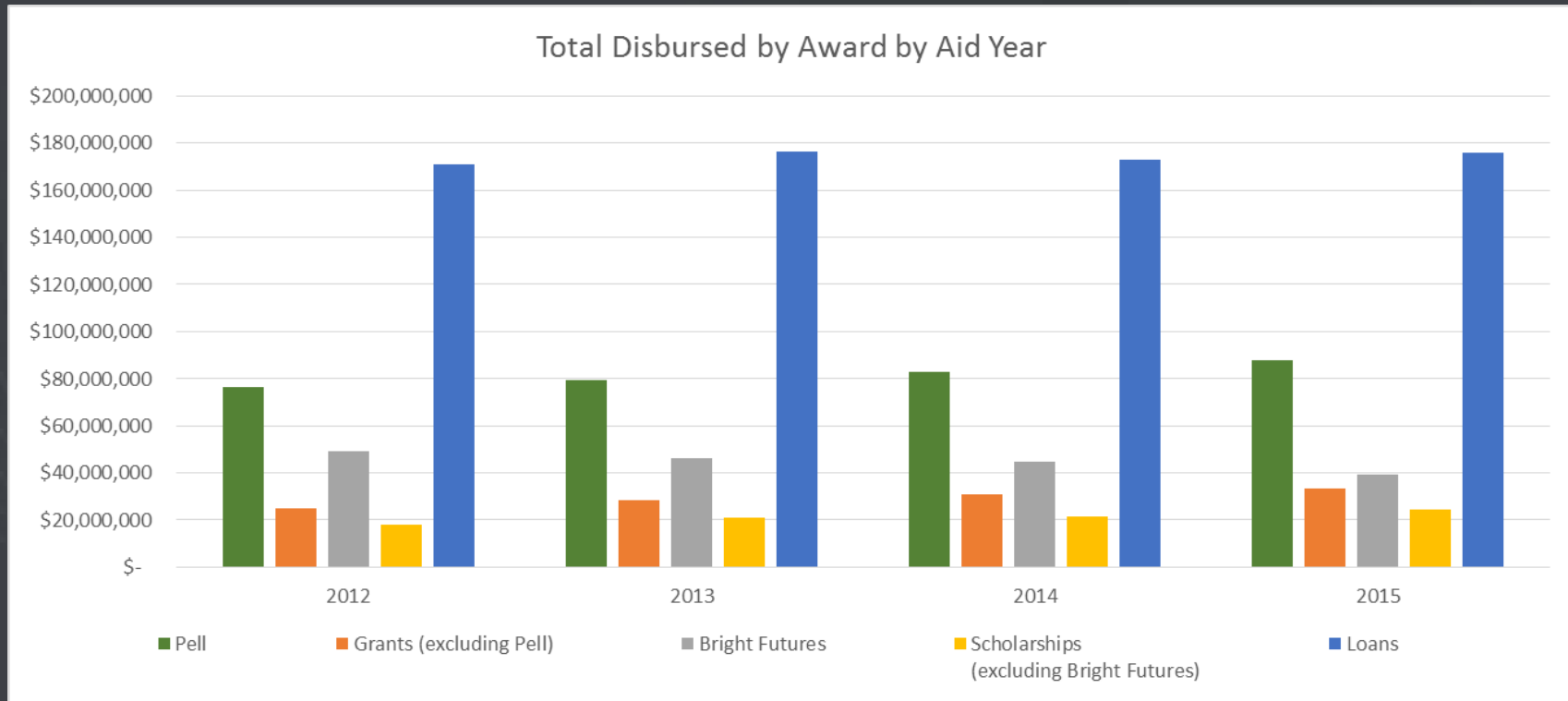
# Financial Aid Philosophy

Leveraging student aid to better support student progression and student success.

- UCF Enhancement 30 Scholarship – awarded to students who have successfully earned 30 hours in the prior academic year, are currently enrolled full-time for the current academic year, and have a minimum 2.75 GPA
- UCF Scholars - awarded to students who demonstrate substantial financial need, are enrolled full-time, and have a minimum 3.0 GPA



# Total Awards Disbursed by Aid Year



# Percentage of Awards Disbursed by Aid Year

	2012	2013	2014	2015
Pell	23%	23%	23%	24%
Grants (excluding Pell)	7%	8%	9%	9%
Bright Futures	14%	13%	13%	11%
Scholarships (excluding Bright Futures)	5%	6%	6%	7%
Loans	50%	50%	49%	49%



# Number of Undergraduate Aid Recipients by Aid Year

	2012	2013	2014	2015
Pell	21,092	22,243	22,772	23,816
Grants (excluding Pell)	17,889	21,571	20,405	19,294
Bright Futures Scholarships (excluding Bright Futures)	25,393	24,307	23,041	20,125
Loans	7,384	9,454	7,634	8,250
	24,716	25,828	25,863	26,268



# Student Debt





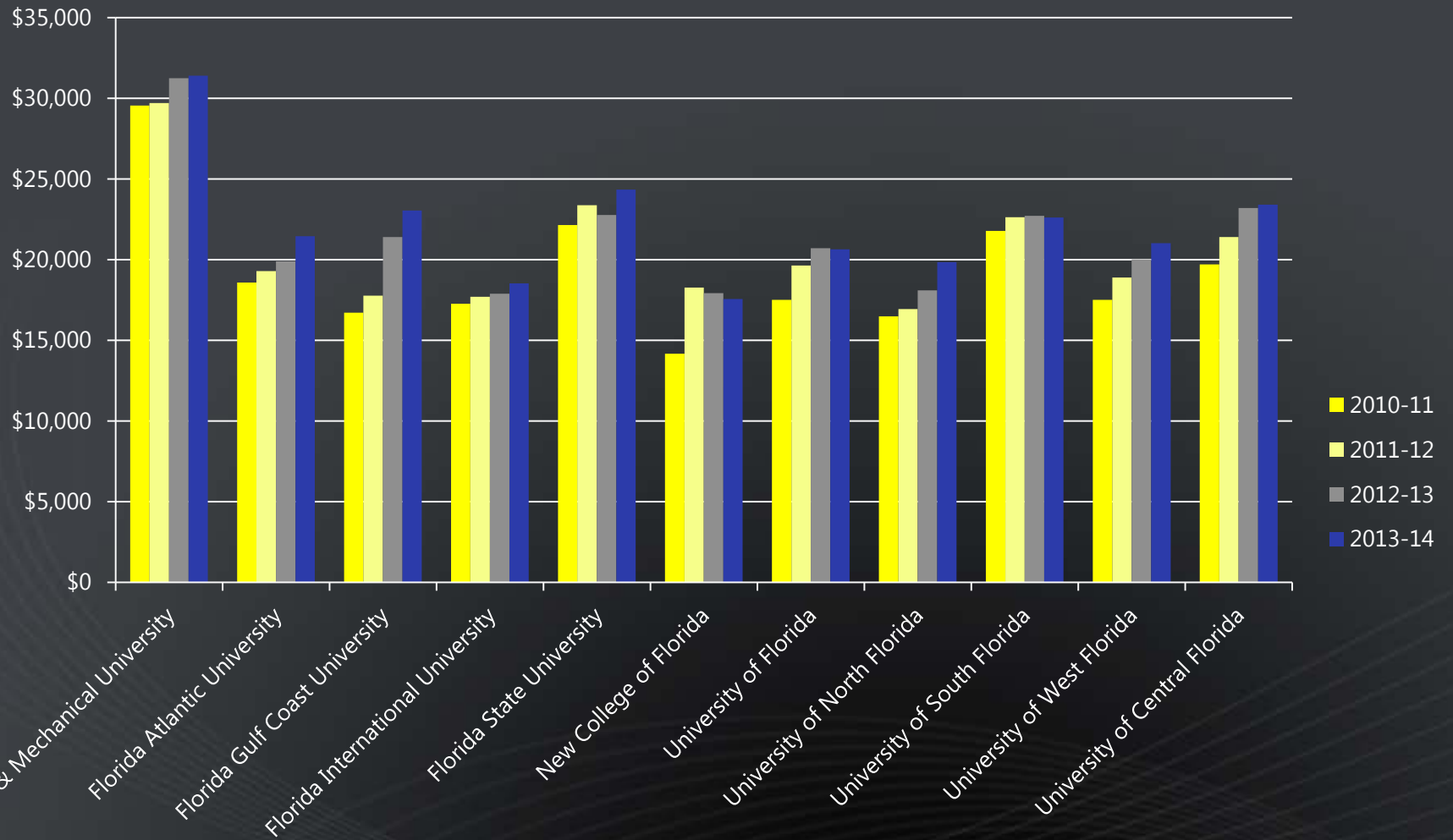
# Student Debt

- 2014 average undergraduate student loan debt
  - National: \$29,000
  - State of Florida: \$25,000
  - UCF: \$23,400
- 2012 Three-Year Stafford Loan Cohort Default Rate
  - National: 11.8%
  - State of Florida: 14.1%
  - UCF: 4.3%
- 2011 annual repayment rate-College Scorecard
  - National: 67%
  - State of Florida: (N/A)
  - UCF: 85%

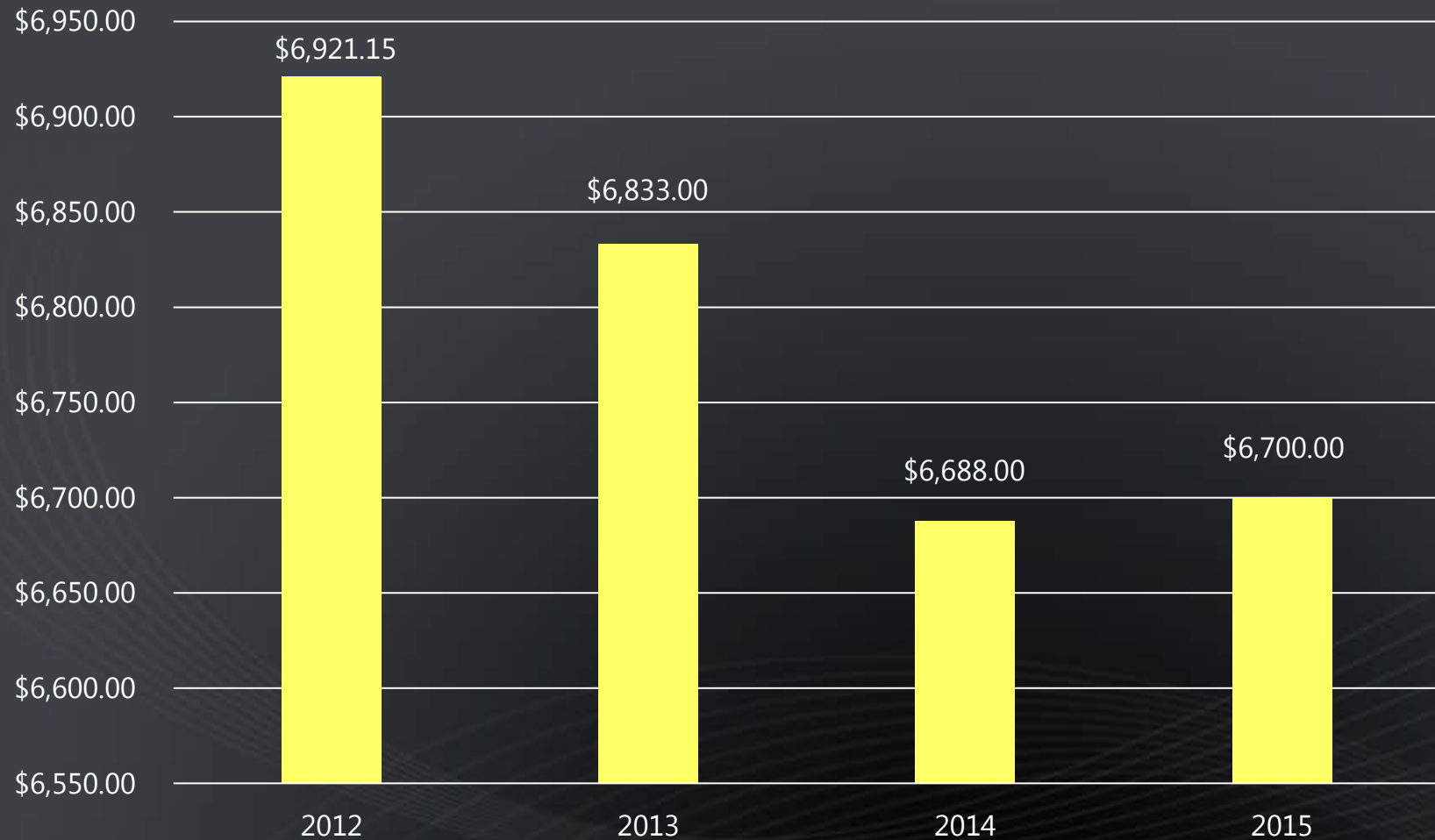




# Average Student Loan Debt - SUS



# Average Annual Undergraduate Student Loan Amount - UCF



# UCF Financial Literacy Program Counseling



# Financial Literacy Program: Counseling

## Office of Student Financial Assistance

APPLYING FOR AID	RECEIVING AID	TYPES OF AID	FORMS	GENERAL INFO	CONTACT US
------------------	---------------	--------------	-------	--------------	------------



CentsibleKnights

**A FINANCIAL LITERACY PROGRAM**

*The purpose of this financial literacy program is to provide students with information and resources ...*

[GET MORE INFO >](#)

All students must apply or reapply yearly for financial aid.  
Complete the online FAFSA, found at [www.fafsa.gov](http://www.fafsa.gov).

Website launched in the Fall 2015

**Office Hours**

Monday	9:00 a.m. - 5:30 p.m.
Tuesday	9:00 a.m. - 5:00 p.m.
Wednesday	9:00 a.m. - 5:00 p.m.
Thursday	9:00 a.m. - 5:30 p.m.
Friday	9:00 a.m. - 5:00 p.m.

Office hours are subject to change during semester breaks and holidays.  
[finaid@ucf.edu](mailto:finaid@ucf.edu)

Phone: (407) 823-2827  
FAX: (407) 823-5241

**Confused by Financial Aid**

View Our Spring 2016 Help Videos





# Financial Literacy Program: Counseling

- Online support
  - Focus on savings, spending, investing, borrowing, earning, and financial protection
  - USA Funds Life Skills - modules and tutorials
- Targeted student groups
  - Transfer students with \$15,000 student loan debt or higher
  - Students borrowing annual maximum in Stafford loans but enrolling less than half time
  - Students on academic probation and not meeting satisfactory academic progress
  - Incoming students after attending Orientation
  - Students who have attempted 120 credit hours with no intent to graduate on file
  - First generation in college
  - Senior level students



# QUESTIONS?



**ITEM: INFO-7**

**University of Central Florida  
Board of Trustees  
Finance and Facilities Committee**

**SUBJECT:** Contract for Boutique Hotel

**DATE:** March 2, 2016

---

For information only.

---

**Supporting documentation:** Attachment A: Sublease Agreement between University of  
Central Florida Board of Trustees and Pegasus  
Hotel LLC

**Prepared by:** W. Scott Cole, Vice President and General Counsel

**Submitted by:** William F. Merck II, Vice President for Administration and Finance and  
Chief Financial Officer

Attachment A

SUBLEASE AGREEMENT

between

UNIVERSITY OF CENTRAL FLORIDA BOARD OF TRUSTEES

and

PEGASUS HOTEL LLC.



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## SUBLEASE AGREEMENT

This **SUBLEASE AGREEMENT** ("Sublease") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2015, between the UNIVERSITY OF CENTRAL FLORIDA BOARD OF TRUSTEES ("Landlord" or "University"), and PEGASUS HOTEL LLC, a Delaware limited liability company ("Tenant")

**WHEREAS**, on January 22, 1974 the State of Florida Board of Trustees of the Internal Improvement Trust Fund ("BTITF") entered into a lease Agreement No. 2721 ("Lease Agreement") with the State of Florida Board of Regents ("Board of Regents") pursuant to which BTITF leased to Board of Regents the grounds constituting the campus of the University of Central Florida ("Campus"); and

**WHEREAS**, on September 26, 2006, the BTITF and Landlord entered into a Lease Modification Agreement pursuant to which Landlord assumed the rights and obligations of the Board of Regents under the Lease; and

**WHEREAS**, Landlord has determined a genuine need for a hotel and conference center (collectively "Hotel/Conference Center") on the University Campus to attract faculty, donors, alumni, students, and the general public to attend conferences, seminars, educational programs, and meetings sponsored by the Landlord or other reputable organizations; and

**WHEREAS**, the Tenant desires to sublease from Landlord certain lands for the purpose of constructing and operating the Hotel/Conference Center needed by the Landlord; and

**WHEREAS**, the Hotel/Conference Center will meet the objectives of the Landlord as set forth above and will also serve the needs of the people of the State of Florida; and

**WHEREAS**, Landlord is authorized to enter this Sublease Agreement with Tenant pursuant to Section 1013.171, Florida Statutes.

**NOW THEREFORE**, based on the foregoing, the parties agree as follows:

### **ARTICLE 1** **DEMISED PROPERTY**

1.1 Description of the Property. In consideration of the rent hereafter agreed to be paid by Tenant to Landlord, and in consideration of the covenants of the respective parties, each to the other to be performed by them and at the time and in the manner hereafter provided, Landlord does hereby sublease and let unto Tenant, and Tenant does hereby hire from Landlord, certain real property ("Property") located on the campus of the University as described on the attached Exhibit "A".

1.2 Use of Property. Tenant shall use and occupy the Property only for the purpose of constructing and operating a Hotel/Conference Center (as hereinafter defined), and shall not use or occupy the Property or permit it to be used or occupied for any other purpose without the express written consent of Landlord. The term "Hotel/Conference Center" shall mean all of the hotel and conference facilities, including meeting and conference rooms, auditorium, guest

rooms, kitchen and dining areas, lounge, swimming pool, offices, fitness center and recreation areas, maintenance facilities, parking, and all other improvements that are to be constructed or installed on the Property pursuant to the Plans and Specifications (as hereinafter defined in Section 4.1.2 hereof) approved by Landlord. Tenant shall not do or permit any act or thing which is contrary to any laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of any governmental or quasi-governmental department, commission, board, court, authority, agency, official, officer or other party, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Property or any part thereof, or any of the adjoining streets, sidewalks or ways, or any use or condition of the Property or any part which would impair the value of the Property or any part thereof, or which constitutes a public or private nuisance. The Hotel/Conference Center shall be operated and maintained at all times as an upscale full service hotel and conference center serving groups and individuals both affiliated and unaffiliated with Landlord.

1.3 Title to Hotel/Conference Center. Title to any improvements to the Property, including the Hotel/Conference Center, and any additions, alterations, restorations, repairs or replacements thereto shall remain in Tenant during the term of this Sublease. Upon the expiration of the Sublease Term, or upon the earlier termination thereof, title to the Hotel/Conference Center and all improvements thereto shall be transferred to Landlord free and clear of any and all liens or other liabilities. Tenant shall cooperate in the execution of any documents necessary to confer title to the Hotel/Conference Center and related improvements upon Landlord.

1.4 Leasehold Interest Only. Tenant shall only hold a leasehold interest in the Property. In no event shall Tenant be deemed to hold or encumber the fee simple title to the Property.

## **ARTICLE 2** **TERM**

2.1 Construction Term. This Lease shall be effective from the date this Lease has been fully executed by all parties and fully executed copies thereof exchanged among the parties electronically or otherwise (the "Effective Date"). The Lease shall have an initial term commencing on the Effective Date and ending on the first day of the first calendar month following Substantial Completion as hereinafter defined in Section 2.2 but in no event later than two years following commencement of construction (the "Construction Term"). Rent shall begin to accrue on the date that the Construction Term ends.

2.2 Commencement and Sublease Term. Following the Construction Term, Tenant shall have and hold the Property subject to the conditions, covenants and agreements herein set forth herein for a term (the "Sublease Term") of fifty (50) full Lease Years (as defined hereafter) and no months, commencing on the first day of the first calendar month following Substantial Completion as hereinafter defined in this Section 2.2, and ending on the last day of the fiftieth (50th) Lease Year thereafter ("Termination Date"). If the Lease Agreement between the Landlord and BTITF is extended, or renewed or replaced so as to extend Landlord's right to possession of the Property for ten (10) or more years beyond the Termination Date, or if

Landlord becomes the fee simple owner of the Property or otherwise has the power to lease the Property for ten (10) or more years beyond the Termination Date, Landlord shall notify Tenant in writing of this circumstance with a copy of the documentation giving rise to such Landlord right and power, in which event Tenant shall have the option to extend the Sublease for one ten-year period by written notice to Landlord delivered not later than six (6) months prior to the Termination Date. Upon delivery of such notice of extension, the Sublease Term shall be extended for ten (10) Lease Years and the Termination Date shall be extended to the last day of the tenth (10<sup>th</sup>) Lease Year after the original Termination Date. At the end of the Sublease Term (as extended if applicable), or upon earlier termination of the Sublease, Tenant shall peaceably vacate and surrender the Property to Landlord. For the purposes of this Sublease, the term “Substantial Completion” shall mean the stage in progress of the construction of the Hotel/Conference Center when, in accordance with Landlord’s regulations and state law, the Hotel/Conference Center is sufficiently complete in accordance with the Plans and Specifications therefor so that the Tenant can occupy or utilize the Hotel/Conference Center for its intended purpose, under an issued Certificate of Occupancy or its equivalent.

2.3 Lease Year Defined. The term “Lease Year” as used herein shall mean each full twelve-month year during the Sublease Term hereof. The first Lease Year shall begin on the first day of the calendar month immediately following Substantial Completion (“Commencement Date”). Each succeeding Lease Year shall commence on each anniversary of the Commencement Date.

2.4 Lease Addendum. Upon completion of the construction of the Hotel/Conference Center, Landlord and Tenant agree to enter into and execute an addendum to this Sublease consistent with the terms and conditions hereof and identifying the Commencement Date of the Sublease Term and the Termination Date.

### **ARTICLE 3** **RENT**

3.1 Base Rent Tenant covenants and agrees to pay to Landlord, at its principal place of business or at such place as Landlord may from time to time designate, as “Base Rent” for the Property, and in lawful money of the United States, during the Sublease Term, the sum of one hundred forty thousand dollars (\$140,000.00) for Lease Years one and two, and the sum of two hundred thousand dollars (\$200,000.00) per year for the remainder of the Sublease Term, payable quarterly in arrears at the rate of twenty five percent (25%) of the annual amount per quarter beginning on the first day of the fourth month in the first Lease Year and continuing on the first day of each third full calendar month thereafter. Base Rent will increase annually at the beginning of each Lease Year to reflect the published increase (if any) in the Index (CPI-U), beginning with the payment due on the first day of the fourth month of the second Lease Year and continuing to increase annually beginning with the payment due on the first day of the fourth month of each Lease Year thereafter. Beginning in the third Lease Year and continuing for the duration of the initial Sublease Term (not including any extensions), in addition to the Base Rent, Tenant shall pay an additional two thousand five hundred eighty-three and 33/100 dollars

(\$2,583.33) in deferred rent (the “Deferred Rent”), said amount to be fixed and not to be adjusted by the Index.

By way of example, if the Index (CPI-U) on the first day of the first Lease Year is 240 and the Index (CPI-U) on the first day of the second Lease Year is 244.8, the percentage increase in the Index is 102% (i.e. 244.8 divided by 240). The amount of Base Rent increased by CPI for the second Lease Year would therefore be \$142,800 (i.e. \$140,000 multiplied by 102%). Similarly, if the Index (CPI-U) on the first day of the first Lease Year is 240 and the Index (CPI-U) on the first day of the third Lease Year is 249.6, the percentage increase in the Index is 104% (i.e. 249.6 divided by 240). The amount of Base Rent increased by CPI would therefore be \$208,000 (i.e. \$200,000 multiplied by 104%).

3.2 Variable Rent. In addition to Base Rent as described in paragraph 3.1 above, Tenant will pay Landlord “Variable Rent” annually in arrears, commencing on the first day of the fourth month in the second Lease Year and continuing on the first day of the fourth month of each Lease Year thereafter. The amount of Variable Rent payable in any given Lease Year equals: (i) the actual total gross revenues generated from the Hotel/Conference Center during the immediately preceding Lease Year, (ii) less the “Adjusted Variable Rent Threshold” as defined and adjusted pursuant to Section 3.3 below, (iii) multiplied by three percent (3%). Adjustments to Variable Rent Threshold. The “**Variable Rent Threshold**” used in calculating the Variable Rent payment amount shall initially be \$11,000,000.00 beginning in the first Lease Year. Thereafter, the Variable Rent Threshold shall increase annually (but never decrease) to an amount (the “**Adjusted Variable Rent Threshold**”) calculated by multiplying the Variable Rent Threshold by the percentage by which the Adjusted Index Level exceeds the Base Index Level. For purposes of this Lease, and the application of the foregoing mathematical formula, the following terms shall have the following meanings, to wit:

3.3.1 The term “Index” shall mean and be defined as the cost of living index published by the Bureau as the Consumer Price Index for All Urban Consumers (CPI-U); U.S. City Average; All items, not seasonally adjusted, (1982-1984 = 100 reference base).

3.3.2 The term “Bureau” shall mean and be defined as the Bureau of Labor Statistics of the United States Department of Labor.

3.3.3 The term “Base Index Level” for any given Lease Year shall mean and be defined as the level of the Index in effect on the first day of the second Lease Year.

3.3.4 The term “Adjusted Index Level” for any given Lease Year shall mean and be defined as the level of the Index in effect on the first day of the Lease Year in question.

By way of example, if the Base Index Level on the first day of the second Lease Year is 240 and the Adjusted Index Level on the first day of the third Lease Year is 244.8, the percentage increase in the Index is 102% (i.e. 244.8 divided by 240). The amount of Adjusted Variable Rent Threshold would therefore be \$11,220,000 (i.e. \$11,000,000 multiplied by 102%). If the actual total gross revenue generated from the Hotel/Conference Center during second Lease Year is \$12,000,000, then the Variable Rent payable on the first day of the fourth month of



the third Lease Year would be calculated pursuant to Section 3.2 above as \$23,400 (i.e. \$12,000,000 less \$11,220,000, multiplied by 3%).

If the compilation and/or publication of the Index shall be transferred from the Bureau to any other department, bureau, or agency of the United States of America, or if the Bureau shall adopt a successor Index, the Index published by such successor department, bureau or agency or such successor Index shall be adopted and used as a standard of computing cost-of-living adjustments to the Variable Rent. In the event no Index is published for the year in which the first computation shall fall or on any year thereafter, the levels of computation for purposes of adjustments to Variable Rent shall be established by interpolation from the published levels nearest to the date on which the levels are to be determined. As soon as possible after publication of all statistics necessary for calculation of the Variable Rent applicable to any Lease Year after the third Lease Year, Landlord shall compute the amount of annual Variable Rent for such Lease Year and shall notify Tenant thereof in writing, setting forth the manner in, and statistics upon, which the applicable or new Variable Rent was computed. If the amount of Variable Rent payable for any Lease Year has not or cannot be computed by the due date of the installment of Variable Rent for the new Lease Year, Tenant shall pay the annual installment of Variable Rent at the rate established for the immediately preceding Lease Year until the amount of the annual installment of Variable Rent has been computed. If the new installment of Variable Rent shall be greater than installment thereof due for the immediately preceding Lease Year, Tenant shall pay the deficiency between the installment actually paid and the new installment actually due within thirty days after such calculation is capable of being made.

3.4 Net Lease. This Sublease is a net lease and Tenant shall pay the rent herein reserved to Landlord without deduction, counterclaim, set-off, abatement, further notice or demand as and when the same shall become due as herein provided, and the rents and other amounts payable by the Tenant hereunder shall continue to be payable without abatement or reduction unless the obligation of Tenant to pay the same shall be terminated, abated or reduced pursuant to the express terms of this Sublease.

3.5 Default in Money Payments. If Tenant fails to pay as and when due the proper amount of Base or Variable Rent, or any other amounts due to Landlord under this Sublease, then, in addition to any other remedies available to Landlord under this Sublease, Landlord may require Tenant to pay to Landlord a late charge equal to \$100.00 for each day any such amount is overdue in order to defray Landlord's expenses of administering and handling such late payment (not to exceed \$700 in the aggregate). All rental amounts shall be due and payable on demand and shall bear interest from the date of default until paid by Tenant at the rate which is equal to the greater of (i) eight percent per annum, and (ii) two percent (2.0%) per annum in excess of the prime rate as such rate is published by the New York Times from time to time while such interest accrues but not in excess of the highest rate allowed under the laws of the State of Florida (the "Default Rate").

## **ARTICLE 4** **CONSTRUCTION OF PROPERTY**

4.1 Tenant's Construction.

4.1.1 General Provisions. On or before one (1) year after the Effective Date of this Sublease, Tenant shall commence the construction of the Hotel/Conference Center described in the Plans and Specifications as hereinafter defined in Section 4.1.2 of this Sublease, subject to Force Majeure as defined in Section 4.1.7 of this Sublease. The Hotel/Conference Center shall be of fire resistant construction according to applicable law and the standards and ratings of the applicable fire insurance rating organizations. The Hotel/Conference Center Improvements shall be constructed in a good and workmanlike manner and in accordance with all requirements of federal, state and local laws and requirements, with the rules, regulations and requirements of all departments, boards, bureaus, officials, and authorities having jurisdiction thereof, and with the requirements of appropriate Florida Board of Governors and University regulations and standards which will be provided to Tenant by Landlord. All necessary federal, state and local permits, approvals, licenses and consents shall be obtained by Tenant and, upon request of Landlord, copies thereof shall be submitted to Landlord. Tenant covenants and agrees not to apply for or obtain any rezoning's, zoning exceptions or variances, or any modifications, variances or amendments to any existing governmental approval, permit, consent or license (whether federal, state or local) regarding the Property without the Landlord's prior written consent.

4.1.2 Design. Tenant will hire architects, space planners, engineers, and other design personnel licensed to practice in the State of Florida and coordinate the production of drawings and specifications for the Hotel/Conference Center. The cost of all professional engineering, surveying, design, and architectural services required to prepare the site, design, and construction plans will be paid by Tenant. Designs will be furnished to Facilities Planning personnel of the University during all phases of the design effort. In designing the facility, Landlord shall take into account architectural designs and ambiance of the University of Central Florida Campus, the location and orientation of the facility, and the necessity that the final design complement other buildings and facilities in the surrounding complex. Final design shall be consistent with previously submitted documents and will be subject to the specific approval of the President of the University in consultation with officers of Tenant's organization with respect to the exterior appearance, such approval not to be unreasonably withheld. Landlord shall have fifteen (15) days from receipt of such plans and specifications to notify Tenant of its approval or rejection. Failure to respond within fifteen (15) days shall be deemed approval. Landlord agrees that the drawings and specifications attached to this Lease as Exhibit 4.1.2 have been approved by Landlord (the "Preliminary Plans"), and that Landlord's approval will not be unreasonably withheld so long as detailed drawings and specifications and construction drawings submitted by Tenant for Landlord's approval are consistent with the Preliminary Plans, and otherwise comply with the design requirements of this Sublease. The final drawings and specifications approved by Landlord shall be referred to herein as the "Plans and Specifications".

4.1.3 General Contractor. All construction work will be done by a general contractor chosen by Tenant who is licensed by the State of Florida to do such construction. No limit will be placed upon the cost of constructing the Hotel/Conference Center but the initial construction must provide, at a minimum, the facilities set forth in the preamble and Section 4.4 of this Sublease, which are to be designed to be compatible with the site and the functions of adjacent University of Central Florida land uses.

4.1.4 Bond. Unless the Tenant shall provide evidence satisfactory to the Landlord of the general contractor's financial strength and experience, or an acceptable third party guaranty, the general contractor selected by the Tenant to do the construction work must furnish a payment and performance bond. The bond will cover the faithful performance of the construction contract, the strict compliance with the Plans and Specifications for construction of the Hotel/Conference Center, and the payment of all obligations in the full amount of the contract. The bond may not be in an amount less than the total cost of the work contemplated to be accomplished by the general contractor and will inure to the benefit of the Landlord to indemnify it against any loss or damage in connection with the construction, including reasonable attorney's fees, through appeal if necessary. The bond and the surety must be approved by the Landlord prior to the commencement of any construction, which approval will not be unreasonably withheld.

4.1.5 Release. Prior to the commencement of construction, the general contractor must deliver to the Landlord, in a form acceptable to Landlord's attorney, a waiver and release which will include the following: an acknowledgment by the general contractor that the Property is owned by the State of Florida and a waiver of any right the general contractor may have to a claim of lien of any kind or nature upon the land.

4.1.6 Architect Responsibility. Tenant shall insure that the architect or engineer retained by Tenant who prepares the plans will be required to make, and be responsible for all site inspections, approval of phases of construction, and payment authorizations.

4.1.7 Force Majeure. Tenant shall prosecute the construction to completion with diligence. Substantial Completion of the Hotel/Conference Center shall be accomplished not later than the two (2) years after the Tenant commences construction of the Hotel/Conference Center, subject, however, to unavoidable delays, such as delays due to strikes, acts of God, severe weather, enemy action, civil commotion, unavoidable casualty or similar causes ("Force Majeure").

4.1.8 Demolition. No demolition of any existing improvements shall be made before the Landlord has been submitted the Plans and Specifications and has fully approved the same.

4.1.9 Landscaping. Tenant shall be responsible for the landscape of the area surrounding the Property and agrees to install and maintain the landscape for the Hotel/Conference Center in a professional manner and in accordance with the aesthetics of the University and consistent with an upscale hotel in the Orlando area.

4.1.10 Landlord Right to Monitor. Tenant shall provide information and documents reasonably requested by Landlord to enable Landlord to monitor the performance and progress of the design, permitting and construction of the Hotel Conference Center. Landlord shall have the right to attend meetings involving Tenant and its Contractor, subcontractors, consultants and vendors relating to the Hotel/Conference Center and the performance and progress of the work and activities related thereto. Prior to Substantial Completion, Tenant shall meet at least monthly with the Landlord's representative and provide a report on the performance and progress of the design, permitting and construction of the

Project. Tenant shall promptly notify Landlord in the event of the occurrence of any fact or circumstance reasonably likely to cause delay in completion of the Hotel/Conference Center and achievement of the requirements for occupancy beyond the scheduled completion date.

4.2 Insurance Requirements During Site Preparation and Construction: Tenant shall require Tenant's contractor(s) to procure and maintain the following insurance coverages throughout the course of site preparation and Hotel/Conference Center construction until the Hotel/Conference Center is ready for occupancy. All policies shall be with insurance companies authorized to do business in the State of Florida. Tenant agrees to furnish a current Certificate(s) of Insurance to Landlord as evidence that the following coverages remain in effect:

4.2.1 Builders Risk Insurance: Completed value form in amount of protection of not less than 100% of the completed value of Hotel/Conference Center construction covering "all risk" perils of loss. Tenant, the contractor, and all subcontractors shall be named insureds.

4.2.2 Worker's Compensation and Employer's Liability Insurance. Worker's Compensation insurance shall be obtained in accordance with Chapter 440 Florida Statutes with the prescribed limits of liability for all employees who will be working at the project site whether working for contractor or any subcontractor.

4.2.3 Public Liability Insurance. Comprehensive general liability (broad form) including Property-operations, products/completed operations, contractual and explosion, collapse and underground (XCU) coverages where required by the risks. The limits of liability must be at least \$1,000,000 each occurrence, \$5,000,000.00 annual aggregate combined single limits for bodily injury and property damage liability. The limit may include umbrella or excess liability insurance. The Landlord, BTITF, and the Florida Board of Governors shall be named as "Additional Insureds."

4.2.4 Comprehensive Automobile Liability Insurance. All owned, hired, leased or non-owned vehicles used on the construction project shall be covered. Policy limits shall be at least \$500,000 each occurrence, \$1,000,000 annual aggregate combined single limit for bodily injury and property damage liability. This limit may include umbrella or excess liability insurance. Landlord, BTITF, and the Florida Board of Governors shall be named as a "Additional Insureds."

4.2.5 Professional Liability Insurance. All architects, engineers and consultants providing design services for the Hotel/Conference Center shall maintain professional liability insurance of \$1,000,000 per claim, \$5,000,000 aggregate, naming Tenant, Landlord, BTITF and the Florida Board of Governors as "Additional Insureds."

The above paragraphs establish minimum insurance requirements. It remains the responsibility of the Tenant and/or the contractor to secure and maintain any additional insurance that may be necessary in connection with the construction contract.

4.3 Easements. The Property may include non-exclusive easements over adjacent lands of the Landlord which are necessary or required for ingress and egress to the Property and for pedestrian, bicycle, and off-street vehicle ingress and egress to the Hotel/Conference Center.

The Property will also include necessary easements for utilities and surface water drainage, detention, and retention as required by the St. Johns River Water Management District, Florida Department of Environmental Protection and other governmental agencies having jurisdiction. To effect this provision, easements shall be granted upon request and in accord with the mutual agreement of the parties.

4.4 Minimum Requirements for Hotel/Conference Center. The Hotel/Conference Center shall contain a minimum of 95,000 square feet under roof and will provide a minimum of 135 guest rooms; kitchen and dining facilities to support the guest rooms and conference facilities; bar and lounge facilities; a minimum of 4 conference rooms accommodating a minimum of 10 people each; a 5,000 square foot ballroom, divisible into 4 sections and capable of accommodating a minimum of 700 persons standing, and a minimum of 180 surface parking spots for guests and employees.

4.5 Mechanic's Liens. Tenant shall not suffer any mechanic's lien to be filed against the Property or Hotel/Conference Center by reason of work, labor, services or materials performed or furnished to Tenant or to anyone holding the Property, or any part thereof, through or under Tenant. If any mechanic's lien or any notice of intention to file a mechanic's lien shall at any time be filed against the Property or Hotel/Conference Center, Tenant shall at Tenant's cost, within fourteen (14) days after knowledge or notice of the filing of any mechanic's lien, cause the same to be removed or discharged of record by payment, bond, order of a court of competent jurisdiction or otherwise.

If Tenant shall fail to remove or discharge any mechanic's lien or any notice of intention to file a mechanic's lien within the prescribed time, then in addition to any other right or remedy of Landlord, Landlord may, at its option, procure the removal or discharge of the same by payment or bond or otherwise. Any amount paid by landlord for such purpose, together with interest thereon at the Default Rate, shall be and become immediately due and payable by Tenant to Landlord as additional rent.

Landlord and Tenant agree that the interest of Landlord shall not be subject to liens for any of the improvements to be made by Tenant to the Properties and this Sublease is intended specifically to prohibit Landlord liability pursuant to Florida Statutes Section 713.10. Nothing contained in this Sublease shall be construed as a consent or agreement on the part of Landlord to subject Landlord's estate in the Property to any lien or liability arising out of Tenant's use or occupancy of the Property. Landlord shall be entitled to record a short form Sublease in the public records of Orange County, Florida, advising that Landlord's interest in the Property shall not be subject to any lien arising from tenant's construction of improvements on the Property. Tenant covenants and agrees to give any required notices or disclosures to Tenant's contractors advising that Landlord's interest in the Property is not subject to liens arising from Tenant's construction of improvements on the Property.

4.6 Completion Date. Both parties agree that, subject to Force Majeure as defined in Section 4.1.7 above, the Tenant's construction of the Hotel/Conference Center shall be completed no later than two (2) years after the Tenant commences construction of the Hotel/Conference Center. This Sublease shall automatically terminate if construction is not commenced by one (1) year after the Effective Date of this Sublease, subject to Force Majeure.

If construction has not been substantially completed by two (2) years after the Tenant commences construction of the Hotel/Conference Center (subject to Force Majeure) and the Tenant has not commenced the operation of the Hotel/Conference Center by ninety (90) days thereafter, Tenant shall be deemed in default of this Sublease. In the event this Sublease is terminated by Landlord as provided herein, Landlord may, upon written demand, require Tenant to promptly remove all leasehold improvements made to the Hotel/Conference Center and repair all damage caused thereby. If the Tenant fails to comply with the Landlord's request, the Landlord has the right to remove any improvements from the Property and place them in storage at Tenant's expense and Tenant will be liable to Landlord for expenses incurred by Landlord in removing and storing the improvements and in restoring the Property to the condition in which it existed on the date of execution.

## **ARTICLE 5**

### **USE AND CARE OF PROPERTY BY TENANT**

5.1 Tenant's Use of Property. Tenant shall operate its business on the Property during the Sublease Term of this Sublease under such name as may be chosen by Tenant and approved by Landlord, which approval will not be unreasonably withheld. Tenant shall use the Property solely for the construction and operation of a Hotel/Conference Center and uses incidental thereto and compatible therewith, and such other uses not inconsistent therewith as may be agreed to by Landlord and Tenant, and for no other or different purpose.

The Hotel/Conference Center shall be operated and maintained as an upscale hotel and conference serving groups and individuals both affiliated and unaffiliated with Landlord, and for no other unrelated purpose without the prior written consent of Landlord. Tenant shall not enter into a management agreement except with a management company which is a recognized and qualified operator of hotels and conference centers similar to the Hotel/Conference Center. Tenant shall not at any time have the Hotel/Conference Center vacant, except in connection with renovations after a casualty or in connection with remodeling, and shall in good faith continuously and throughout the Sublease Term conduct and carry on the type of business for which it is subleased.

Tenant agrees that it is subject at all times to the provisions of the lease between the Trustees of the Internal Improvement Trust Fund and the Board of Regents, No. 2721, dated January 22, 1974.

5.2 Nature of Use. Tenant shall use and occupy the Property in a careful, safe and proper manner and shall keep the Property in a clean and safe condition in accordance with this Sublease, state law, applicable local ordinances, and the lawful directions of the proper public officers. Tenant shall not do or permit any act or thing which is contrary to any laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of and agreements with all governments, departments, commissions, boards, courts, authorities, agencies, officials, officers and other parties, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Property or any part thereof, or any of the adjoining streets, sidewalks or ways, or any use or condition of the Property or any part thereof or contrary to any fire and casualty insurance requirements, or which would impair the value of the Property or any part

thereof, or which constitutes a public or private nuisance. Tenant shall use and maintain the Property consistent with standards of upscale full service hotel and conference center operations, and Tenant shall not permit solicitations, demonstrations, itinerant vending (except in conjunction with conference activities and confined to the conference area), or any other activities inconsistent with such standards.

5.3 Rubbish and Trash. Tenant shall not permit the accumulation of rubbish, trash, garbage, and other refuse in and around the Property, and will remove the same at Tenant's expense to such areas as may be appropriate therefor or as designated by Landlord. Tenant shall make arrangements with a removal agency for the removal of such rubbish, trash, garbage and other refuse from such designated areas. In the event Tenant fails to remove any accumulation of rubbish within twenty-four (24) hours after notice from Landlord to remove the same, Landlord shall have the right to remove the same, in which event the cost thereof shall be paid by Tenant as additional rent for the following month, but Landlord shall at no time be obligated to remove the same.

5.4 Signs. Tenant will be allowed to erect and attach such exterior signs as are typical to the hotels in the area and are approved by Landlord, such approval not to be unreasonably withheld. Tenant at its own risk and expense, to the extent permitted by applicable law, may erect such signs, lettering, decorating or advertising permitted hereunder, and agrees to maintain the same in good state of repair and save the Landlord harmless from any loss, cost or damage as a result of the erection, maintenance, existence or removal of same, and shall repair any damage which may have been caused by the erection, existence, maintenance or removal of the same. Upon vacating the Property, Tenant agrees to remove all signs or other such items and to repair all damage caused by such removal. Such signs or items shall relate solely to the business of the Hotel/Conference Center permitted hereunder.

5.5 Waste. During the Sublease Term, Tenant shall not permit any waste, damage or injury to the Property and Tenant shall initiate and carry out a program of regular maintenance and repair of the Property so as to impede, to the extent possible, deterioration by ordinary wear and tear and to keep the same in an attractive condition consistent with that of an upscale hotel.

5.6 Priority of Use by Landlord. It is the intention of the parties that the Landlord, to the extent possible and in accordance with the provisions of this Section 5.6, shall be given a preference in scheduling for the use of conference rooms and hotel rooms for meetings and events to be held at the Hotel/Conference Center in connection with University of Central Florida sponsored activities. Landlord and Tenant shall work together in good faith to accommodate the requests of the Landlord, with the understanding, however, that from time to time the Tenant may not be able to accommodate the requests of the Landlord due to prior scheduled commitments. The Landlord and Tenant agree to establish mutually acceptable policies with regard to carrying out the intent of this provision. In addition, Tenant agrees to allow Landlord agreed upon discounts for use of the Hotel/Conference Center facilities and hotel rooms from the Tenant's established rates for a specific period or date. The discounts to be allowed shall be negotiated annually and shall take into consideration such factors as volume of anticipated use, season of the year of the events, and customary standards in the hotel and conference center industry with regard to establishing and granting discounts. Both parties agree to negotiate in good faith in the establishment of an annual discount policy.

**ARTICLE 6**  
**OPERATION OF BUSINESS**

6.1 Open for Business. Tenant agrees to occupy the Property and open the Hotel/Conference Center for business fully staffed, within one hundred and twenty (120) days of the Commencement Date of the Sublease Term (subject to Force Majeure), and thereafter agrees to continuously conduct business within the Property under the name and for the business permitted hereunder, for typical hotel and conference center business hours. This covenant by Tenant is a material consideration to Landlord hereunder in order that the needs of Landlord shall be met.

6.2 Illumination of Signs. Tenant will keep the Property electrically lighted and any electric sign lighted until at least 12:00 a.m. local time of each business day.

6.3 Tenant's Advertising Within Property. Tenant further agrees that neither handwritten signs nor advertising matter of a non-professional kind shall be placed within the Hotel/Conference Center.

6.4 Use of Space. Tenant agrees to fully and adequately staff the Property with sufficient employees for the purpose of operation of a Hotel/Conference Center and the sale of merchandise and to use for office, clerical or other non-selling purposes only such space in the Property as is reasonably required for Tenant's business therein, not including any other business of Tenant in locations other than the Property.

6.5 Aesthetic Standards. Tenant stipulates and acknowledges that a material condition to Landlord's entering into this Sublease is the agreement by Tenant to construct and maintain the Hotel/Conference Center and common areas and any additional improvements at a standard which is consistent with the landscaping and aesthetic standards generally applied by Landlord for the buildings and other facilities located on its Campus in the University of Central Florida, as in effect on the date hereof and as may be modified from time to time (the "Aesthetic Standards"). In approving the plans and specifications for any improvements, Tenant shall consider the applicable Aesthetic Standards to the exterior elements of all buildings and all elements of landscaping (the "Exterior Elements").

6.6 Operational Standards. It is the intent of the parties that the Hotel/Conference Center will be constructed and operated at all times as an upscale full service facility in all respects in accordance with the standards of upscale full service hotels in the Orlando area as of the date hereof. Tenant shall not use or permit the Hotel/Conference Center to be used for any unlawful, disreputable or immoral purpose or in any way, which may adversely reflect upon the name or reputation of the University of Central Florida.

6.7 Management. Tenant shall be solely responsible for the operation and maintenance of the Hotel/Conference Center but is authorized at all times to have the Hotel/Conference Center managed by a professional hotel manager approved by Landlord in writing (the "Manager") such approvals not to be unreasonably withheld or delayed. Any change in Manager shall be subject to the written approval of Landlord, such approval not to be unreasonably withheld or delayed. Landlord has approved The Charlestowne Hotels of



Charleston, SC, or any of its affiliates, as a Manager, and will approve any other manager that is of equal or better reputation and experience.

6.8 Insurance Requirements During Operation of Facility: Tenant shall, after the Hotel/Conference Center is constructed, obtain and maintain at its expense, the following policies of insurance covering activities performed under and contractual obligations undertaken during the Sublease Term. Insurance requirements established hereafter shall be increased by Tenant, if necessary, to meet any statutory insurance requirements which may be established by Florida Statutes, rules, or regulations.

6.8.1 Hazard Insurance: Building and improvements shall be insured against loss by fire, lightning, vandalism, malicious mischief and other hazards customarily insured by extended coverage, for their full replacement value, which shall be adjusted from time to time to reflect current replacement value. Landlord shall be named as an Additional Insured as its interests may appear.

6.8.2 Worker's Compensation and Employer's Liability Insurance: Worker's Compensation insured shall be obtained in accordance with Chapter 440 Florida Statutes with the prescribed limits of liability for all employees who will be working at the project site whether working for Landlord or any subcontractor.

6.8.3 Public Liability Insurance: Broad form comprehensive general liability insurance including Property-operations, products, completed operations and contractual liability. Limits of coverage shall be at least \$2,000,000.00 combined single limits for bodily injury and property damage liability, and \$5,000,000 excess umbrella coverage. Landlord shall be named as an "Additional Insured."

6.8.4 Comprehensive Automobile Liability Insurances: All owned, hired, leased or non-owned vehicles used by the Tenant shall be covered. Policy limits shall be at least \$1,000,000 each occurrence combined single limit for bodily injury and property damage liability.

The above policies of insurance must be with insurance companies authorized to do business in the State of Florida. Tenant shall furnish a current Certificate(s) of Insurance to the Landlord as evidence that the above required insurance coverages remain in effect. All policies shall contain language requiring a minimum of thirty (30) days notice to the Landlord of any cancellation of coverage.

All policies of insurance provided for herein shall be issued by insurance companies with general policy holder's rating of not less than A and a financial rating of not less than Class X as rated in the most current available "Best's" insurance reports and locally qualified to do business. All such policies shall be issued in the names of Landlord and Tenant as co-insureds for mutual and joint benefit and protection. BTITF and the Florida Board of Governors shall be named as "Additional Insureds." Executed copies of such policies of insurance shall be delivered to Landlord within ten (10) days after delivery of possession of the Property, and thereafter executed copies of renewal policies shall be delivered to Landlord within thirty (30) days prior to the expiration of the term of each existing policy. All public liability and property damage

policies shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recover under such policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence of Tenant. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All policies of insurance delivered to Landlord must contain a provision that the company writing said policy will give to Landlord thirty (30) days' notice in writing in advance of any cancellation or lapse or of any reduction in the amounts of casualty policies.

6.9 Payment of Taxes. Tenant further covenants and agrees to pay promptly, when due, all applicable county, state and federal taxes assessed against the Hotel/Conference Center, Tenant's leasehold interest and Tenant's fixtures, furnishings, equipment, stock-in-trade and other personal property of any kind owned, installed and existing on the Property and on any sales generated in connection therewith. Tenant shall provide Landlord, on an annual basis, with evidence of payment of all taxes which may be due.

## **ARTICLE 7** **UTILITIES**

7.1 Installations. Tenant shall be solely responsible for obtaining necessary utility service for the Property at its own expense, including, without limitation, the cost of all reservation charges, capacity charges, taxes and other charges incurred in connecting the Hotel/Conference Center to existing utility infrastructure.

7.2 Utility Charges. Tenant shall pay for all utility charges including electricity, water, gas and sewage used in the construction and operation of the Hotel/Conference Center.

7.3 Operation of Tenant's Heating and Air Conditioning System. Tenant agrees to operate its heating and air conditioning units in the Hotel/Conference Center so as to adequately heat and cool the same, as the case may be, during the hours that the Hotel/Conference Center is open for business; and to maintain at all times, whether or not the Hotel/Conference Center is open for business, temperatures in the Property consistent with acceptable standards of the hotel and conference center industry.

7.4 Tenant's Connection To Landlord's Utility Systems. Subject to compliance with applicable laws and regulations, Tenant shall be permitted to connect to Landlord's chilled water, potable water, and sanitary sewer utility systems and shall purchase chilled water, potable water, and sanitary sewer service from Landlord at Landlord's cost. Tenant shall be allowed to utilize Landlord's storm retention system, subject to obtaining all permits required by, and complying with all requirements of, applicable governmental agencies. Tenant shall be responsible for all costs associated with the utility interconnection including, but not limited to: labor, material, design, metering, isolation, expanding distribution from the project's site to the closest point of Landlord-agreed upon interconnection, witness testing, treatment processes, record drawings, and coordination meetings.

Tenant shall fund all metering cost related to the hotel, payable to Landlord's Utilities and Energy Services. The first cost of the metering devices for water, wastewater and re-claim service interconnection shall be provided by Tenant to ensure system compatibility and standardization. Once installed, these metering devices will be maintained and owned by Landlord.

Landlord demarcation points for utilities serving the hotel are:

- a. Water: at the first isolation valve prior to the backflow; backflow and isolation valve will be provided and installed by Tenant.
- b. Waste water: at the Landlord owned and operated transportation pipeline for effluent
- c. Reclaimed water: at the first isolation valve / meter to the hotel site, this valve will be provided and installed by Tenant.

Tenant agrees to pay for all utility consumption at Landlord's direct costs, which are subject to review and change every six months.

#### CAPACITY

- Water Service: The hotel's total annual water consumption shall not exceed 13,700,000 gallons. Tenant hereby understands Landlord is operating under a consumptive use permit allocation, and additional demands above 13,700,000 gallons per year may require modification to the permit. All users creating additional demand shall share the associated cost.

The Landlord employs a cross-connection control program to protect the campus's consecutive water system (CWS). The program is in compliance with State of Florida's Department of Environmental Protection Guidelines, American Water Works Association M-14 and will apply to the hotel. In order to protect utilities systems, Tenant will be responsible for the initial installation of all backflow prevention devices.

- Wastewater Service: The total waste capacity allocation for the hotel shall not exceed 11,400,000 gallons per year. The capital costs of sewage pretreatment as required by current Plumbing Codes applicable to the Project shall be borne by Tenant. A processing surcharge may also be imposed, based on the quality of effluent being processed and the cost impact to the normal operation of the system by Seminole County.

The cost to investigate, recover, and neutralize any illegal substances dumped in the waste stream will be borne by Tenant.

Influent must comply with applicable pre-treatment requirement set forth by Seminole County's Iron Bridge Treatment facility.

Any violation of pretreatment rules shall require prompt due diligence, followed by emergency measures to contain any discharge, with notification to Landlord's Environmental Health and Safety division. All remediation costs associated with a discharge event shall be borne by Tenant.

**ARTICLE 8**  
**ALTERATIONS OR IMPROVEMENTS BY TENANT**

Subject to its compliance with the requirements of this Article 8, Tenant shall have the right during the continuance of this Sublease to make such interior alterations or improvements to the Hotel/Conference Center as may be proper and necessary for the conduct of its business and for the full beneficial use of the Hotel/Conference Center permitted herein, provided Tenant shall pay all costs, expenses and charges thereof, shall maintain such alterations and improvements in accordance with applicable laws and building codes and that all work be performed in a workmanlike manner. Tenant shall fully and completely indemnify Landlord against any third party claims in connection with the making of such alterations and improvements. Tenant shall not make, nor permit to be made, any alterations, additions or improvements of a structural nature to the exterior of the Property, without prior written approval of the Landlord, not to be unreasonably withheld. Tenant shall promptly repair any damage to the Hotel/Conference Center caused by any alterations, additions or improvements of the Hotel/Conference Center by Tenant.

**ARTICLE 9**  
**REMOVAL OF IMPROVEMENTS**

Except as otherwise hereinafter provided, all trade fixtures, furniture, furnishings, equipment and signs installed in or to the Hotel/Conference Center by Tenant and paid for by it shall remain the property of Tenant and may be removed by Tenant upon the expiration of the term of this Sublease or its earlier termination, provided (a) that such items which are affixed to the Hotel/Conference Center and require severance may be removed only if Tenant shall repair any damage caused by such removal, and (b) that Tenant shall have fully performed all the covenants and agreements to be performed by it under the provisions of this Sublease. If the Tenant fails to remove such items from the Hotel/Conference Center prior to the date of termination of this Sublease or earlier termination thereof, all such trade fixtures, furniture, furnishings and signs shall become the property of Landlord, unless Landlord elects to require the removal in which case Tenant shall promptly remove the same and restore the Hotel/Conference Center to its prior condition. All lighting fixtures, heating and cooling equipment and all other affixed installations and construction to be furnished or performed by Tenant, except for the items specifically described in the first sentence of this section, shall be and remain the property of Landlord on the ending of the Sublease Term and shall not be removed from the Hotel/Conference Center.

**ARTICLE 10**  
**ACCESS TO PROPERTY**

Landlord may have free access to all public areas of the Property at all reasonable times, and to all private areas upon reasonable notice and coordination with Tenant, for the purpose of inspecting the same for compliance with this Sublease. Any such action by Landlord shall cause as little inconvenience as reasonably practical. Such action shall not be deemed an eviction or disturbance to Tenant nor shall Tenant be allowed any abatement of rent or damages for any injury or inconvenience occasioned thereby.

**ARTICLE 11**  
**REPAIRS BY LANDLORD**

Tenant shall be solely responsible to keep and maintain the foundations, roof and structural portions of the walls as well as interior of the Property in good condition and repair. No duties shall be imposed upon Landlord to inspect the Property and Landlord shall have no duty or obligation to make any repairs whatsoever. Tenant shall be solely responsible for all liabilities, damage to person or property, costs and expenses resulting from any patent or latent defect. Tenant shall make all necessary repairs of the parking area, service drive area and all surrounding area of the Hotel/Conference Center and shall keep such areas reasonably lighted at all times during the conduct of its business and shall maintain such areas reasonably clear of litter. The provisions of this section do not apply in the case of damage or destruction by fire or other casualty or by eminent domain, in which events the obligations of Landlord and Tenant shall be controlled by sections 16 and 24.

**ARTICLE 12**  
**REPAIRS BY TENANT**

Tenant shall keep and maintain the Property and every part thereof, including the structure, fixtures, facilities or equipment contained therein, in good condition and repair, including, but not limited to, the heating, air conditioning, electrical, plumbing and sewer systems, the exterior doors, security grills, window and window frames, and all portions of the Property and shall make any replacements thereof and all broken or cracked glass which may become necessary during the Sublease Term or any renewal or extension thereof.

**ARTICLE 13**  
**DEFAULT**

13.1 Default by Tenant. This Sublease is made upon the condition that the Tenant shall punctually and faithfully perform all of the covenants and agreements to be performed by it as herein set forth. If any of the following events shall occur Tenant shall be deemed in default of this Sublease.

13.1.1 Failure by Tenant to pay any installment of Base Rent or Variable Rent or any other sums required to be paid by Tenant after the same is due, and said default shall continue uncured for a period of ten (10) days after written notice thereof from Landlord to Tenant; or

13.1.2 Failure of Tenant to operate and maintain the Hotel/Conference Center at all times as an upscale full service facility in all respects in accordance with the standards of similar upscale full service hotels in the Orlando area; or

13.1.3. Default by Tenant in the observance or performance of any of the other covenants, agreements or conditions of this Sublease on the part of Tenant to be kept and performed, and said default shall continue uncured for a period of thirty (30) days after written notice thereof from Landlord to Tenant; or

13.1.4 Filing by Tenant of a petition in bankruptcy or be adjudicated bankrupt or the filing of any petition or answer seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or a similar relief for itself under any present or future federal, state or other statute, law or regulation, or make an assignment for the benefit of creditors; or

13.1.5 The appointment of a trustee, receiver or liquidator of Tenant or of all or any substantial part of its properties or of the Property, or any action, suit or proceeding is instituted by or against Tenant in such preceding which action is not dismissed within 90 (90) days after such appointment; or

13.1.6 The leasehold estate hereby created is taken by execution or other process of law; or

13.1.7 The Tenant shall attempt to mortgage the Property or assign any interest in this Sublease, other than as provided in Article 18, without the prior written consent of Landlord; or

13.1.8 Failure of Tenant to obtain substantial completion of the Hotel/Conference Center within two years following the commencement of construction.

13.2 Notice/Remedies. In the event of default by Tenant under this Sublease, Landlord shall provide Tenant with written notice of such default and Tenant shall have ten (10) days, or thirty (30) days, as provided above, from receipt of such notice to cure said default; provided however that if the default is not reasonably capable of being cured with commercially reasonable efforts within thirty (30) days, Tenant shall have such longer time to cure such default as may be reasonably necessary, not to exceed one hundred eighty (180) days ("Cure Period"). If Tenant fails to cure the default within the Cure Period, all rights and privileges of Tenant and all duties and obligations of Landlord hereunder shall terminate. Immediately upon such termination, and without further notice to any other party, Landlord shall have the right to take possession of the Hotel/Conference Center together with all Improvements, fixtures, furnishings, equipment, personalty and any and all capital alterations which may have become constructed upon or to the Property (the title to which shall, upon any such termination, automatically be conveyed from Tenant to Landlord and pass to Landlord by operation of the provisions herein without any additional document or action needed and, subject to the provisions of Article 18 hereof free and clear of any liens, encumbrances or debts on the Property arising from Tenant's leasehold interest in the Hotel/Conference Center, with or without process of law, and to remove

all persons occupying the same and to use all necessary lawful force therefor and in all respects to take the actual, full and exclusive possession of the Property and Hotel/Conference Center and every part thereof as Landlord's original estate, thereby wholly terminating any right, title, interest or claim of or through Tenant as to the Property including the Hotel/Conference Center and all personal property located on the Property, all without incurring any liability to Landlord or to any person occupying or using the Property Hotel/Conference Center for any damage caused or sustained by reason of such entry or such removal, except for damage resulting from Landlord's negligence in effecting such removal, and Tenant agrees to reimburse Landlord, and all employees, agents and representatives of Landlord for all costs, loss or damage arising or occasioned thereby to Tenant, or its agents, employees, officers, guests, invitees or tenants, except as limited hereinabove. The exercise by Landlord of any remedy arising by virtue of an Event of Default shall not be considered exclusive, but Landlord may exercise any and all other rights or remedies provided by the Sublease or by law or equity. Landlord may elect to sue Tenant hereunder without terminating this Sublease shall have the right to specifically enforce the obligation of Tenant to use the Property only for the uses permitted by this Sublease. The termination of the Sublease Term pursuant to this Article shall not extinguish the right of Landlord to collect damages arising from the breach of this Sublease by Tenant.

No failure by Landlord to insist upon the strict performance of any provision of this Sublease or to exercise any right, power or remedy consequent to any breach thereof, and no waiver of any such breach or of any such provision. No waiver of any such breach or of any such provision. No waiver of any breach shall affect or alter this Sublease, which shall continue in full force and effect, or the rights of any party hereto with respect to any other then existing or subsequent breach.

Except as expressly provided for in this Sublease, Tenant shall not assert any breach of an obligation or duty of Landlord as, and no such breach shall constitute, a defense, offset, excuse or counterclaim to any obligation of Tenant hereunder, but Tenant may, subject to the other provisions of this Sublease, pursue independent remedies for any such breach Landlord.

In case of default on the part of Tenant to pay any money, or do any act to satisfy any of the obligations or covenants which it is required to pay, do, or satisfy under the provisions of this Sublease, Landlord may, at its option, after notice to Tenant, pay any or all such sums, or do any or all such acts which require the payment of money, or incur any expense whatsoever to remedy the failure of Tenant to perform any one or more of the covenants herein contained.

13.3 Mortgagee Right to Cure. Landlord agrees to furnish a copy of any notice of default to Tenant's lending institution ("Tenant's Lender") provided that Tenant has requested in writing that such notice be provided. Such notice shall include the name and address where such notice should be delivered. Tenant's Lender shall have the right to cure any default under this Sublease within thirty (30) days of receipt of the notice of default or such longer period as may be provided in any "Consent and Agreement" entered into by Landlord with Tenant's Lender as provided in Article 18 of this Sublease. Failure to cure such default will result in termination of any interest of Tenant's Lender in Tenant's leasehold interest in the Hotel/Conference Center.

13.4 Interest. If Tenant at any time shall fail to pay any taxes, assessments, or, to make any payment or perform any act required by this Sublease to be made or performed by it, Landlord, without waiving or releasing Tenant from any obligation or default under this Sublease, may (but shall not be obligated to) at any time thereafter notify Tenant in writing that such payment is due or other action is required under the Sublease, and if Tenant shall fail to make such payment or undertake such required action within the applicable Cure Period, Landlord may make such payment or perform such act for the account and at the expense of Tenant. All sums so paid by Landlord and all costs and expenses so incurred, shall accrue interest at the Default Rate, from the date of demand for reimbursement thereof by Landlord and shall constitute additional rent payable by Tenant under this Sublease and shall be paid by Tenant to Landlord upon demand, accompanied by reasonable documentation of such costs.

13.5 Default by Landlord. In the event the Landlord breaches any provision contained herein or fails to comply with or perform any of the conditions to be complied with or any of the covenants, agreements or obligations to be performed by the Landlord under the terms and provisions of this Sublease, then in that event Tenant shall send a default notice to Landlord demanding performance of the unfulfilled obligation or default and Landlord shall have the Cure Period (being the same period from delivery of notice of default as set forth in Section 13.2 of this Sublease) to cure the default outlined in the default notice. In the event Landlord fails to cure such non-performance or breach within the Cure Period, Tenant, in Tenant's sole discretion, shall be entitled to (i) exercise any and all rights and remedies available to Tenant at law and in equity; (ii) have the right to enter upon the Campus to perform the obligation or to furnish any necessary materials or services to cure the default of Landlord; (iii) terminate this Sublease and upon any such termination, this Sublease and all rights and obligations created hereunder shall be deemed null and void and of no further force or effect. Notwithstanding the foregoing, in the event such default shall constitute an emergency condition, Tenant, acting in good faith, shall have the right to cure such default upon such advance notice as is reasonably possible under the circumstances, or if necessary, without advance notice, so long as notice is given as soon as possible thereafter. In such event Tenant elects option (ii) above, Landlord shall reimburse the Tenant for its reasonable costs of the foregoing ("Cure Costs") within thirty (30) calendar days following delivery to Landlord of a demand for such reimbursement, which demand shall include reasonable documentation of such costs. The right to cure the default of Landlord shall not be deemed to (i) impose any obligation, liability or responsibility on the Tenant to do so; (ii) render Tenant liable to Landlord or any third party for an election not to do so; or (iii) relieve Landlord from any performance obligation hereunder.

13.6 Cumulative Remedies. All rights and remedies herein enumerated shall be cumulative and none shall exclude any other remedies allowed at law or in equity.

#### **ARTICLE 14** **RENT DEMAND**

Every demand for rent due, wherever and whenever made, shall have the same effect as if made at the time it falls due and at the place of payment, and after the service of any notice or commencement of any suit, or final judgment therein, Landlord may receive and collect any rent due, and such collection or receipt shall not operate as a waiver of nor affect such notice, suit or judgment.



**ARTICLE 15**  
**SUBROGATION**

Landlord shall not be liable for any insurable damage to fixtures, merchandise or property of Tenant that is insurable and required to be insured by Tenant under the Sublease, regardless of cause, and Tenant hereby releases Landlord from the same.

**ARTICLE 16**  
**DAMAGE AND DESTRUCTION**

Tenant agrees to provide such insurance coverage as required in this Sublease, and in the event the Hotel/Conference Center is damaged by any peril, the Hotel/Conference Center which Tenant is obligated to construct pursuant to this Sublease together with such of Tenant's installations that become a part of the real estate shall promptly be repaired by Tenant, at Tenant's expense; provided, however, that if (i) such casualty occurs during the last twenty (20) years of the Sublease Term, and (ii) the cost to repair such damage is reasonably estimated to cost in excess of 50% of the reasonably estimated value of the Hotel/Conference Center, then at Tenant's option Tenant may elect not to repair and reconstruct and instead may elect to terminate the Sublease by written notice to Landlord within ninety (90) days after the casualty giving rise to such termination, in which event Tenant shall receive all proceeds of insurance and promptly remove all improvements on the Property, and fill and grade the site to its original elevation. In repairing any such damage, Tenant shall repair or replace the Property and installations, including without limitation, stock-in-trade, trade fixtures, furniture, furnishings, floor and wall coverings, signs and the special equipment which has been installed in the Property by Tenant, in a manner and to at least a condition equal to that prior to its damage or destruction. Except in the case of a termination of the Sublease as described in this Article 16, the proceeds of all insurance carried by Tenant pursuant to Section 6.8 shall be held in trust by a mutually agreed upon bank Trustee for the purpose of such repair and replacement if such insurance proceeds exceed \$500,000.00 in amount, and shall be disbursed from trust to Tenant upon requisition by Tenant (copies simultaneously to Landlord and Trustee) to pay all costs of such repair and replacement. If the proceeds of insurance are less than \$500,000.00 in amount, they shall be delivered to Tenant who shall use such proceeds solely to repair and replace the damaged Property. Notwithstanding the foregoing, all proceeds of business interruption insurance arising from any such casualty shall be paid to Tenant, for so long as Tenant is current in the payment of the Rent hereunder.

**ARTICLE 17**  
**ASSIGNMENT AND SUBLETTING**

17.1 General Prohibition. Except as otherwise expressly provided in this Sublease: (a) Tenant shall not have the right at any time to pledge, hypothecate, mortgage or assign this Sublease or any estate or interest therein by operation of law or otherwise, or to sublet the Property or any part thereof, or to grant any concession or license, or to allow anyone to occupy the Property, without the prior written consent of Landlord; and (b) Tenant shall not permit nor grant security interests or other interests upon Tenant's trade fixtures, personal property and equipment on the Property without first obtaining Landlord's written consent thereto. The consent of Landlord to any one or more assignments, subleases, transfers or liens shall not

operate to exhaust the Landlord's rights under this section, nor shall Landlord's consent operate to release Tenant from any of its obligations under this Sublease.

17.2 Security for Loan. Notwithstanding the general prohibition of Section 17.1, Tenant may from time to time grant a leasehold mortgage encumbering the leasehold estate created by this Sublease and grant a mortgage, lien and security interest in such other property of Tenant that is used or useable in connection with the Hotel/Conference Center, and the revenues thereof, as security for loans to finance or refinance any or all of the cost of designing, engineering, permitting, constructing, renovating, furnishing or equipping the Hotel/Conference Center, and all repairs, replacements and upgrades thereof, as described in Article 18 of this Sublease. Such security shall extinguish by operation of law upon termination of this Sublease.

17.3 Sale By Tenant. Notwithstanding the general prohibition of Section 17.1, Tenant shall have the right to sell, assign, and transfer Tenant's interest in the Sublease in connection with a sale of the Hotel/Conference Center, provided that (i) the assignee/transferee assumes all obligations of the Tenant under the Sublease arising from and after the date of transfer, and (ii) Tenant is not in material default under the Sublease, and (iii) if there is a change in operator/manager of the Hotel/Conference Center in connection with such transfer, the new operator/manager shall provide the Landlord with evidence of their qualifications to operate the Hotel/Conference Center and receive Landlord's approval which shall not be unreasonably withheld.

17.4 Successor's Assumption of Obligations. Any successor in interest to Tenant under this Sublease expressly assumes all of the Tenant's obligations under this Sublease as and to the same extent as if such assignee were the original Tenant named in this Sublease.

17.5 Sublease. Tenant specifically covenants and agrees that, except as otherwise expressly provided in this Sublease, neither Tenant nor any one claiming an interest in or a right of occupancy or use of all or any portion of the Property by, through or under Tenant, shall enter into any sublease, license, concession or other agreement for the use, occupancy or utilization of space within the Property which provides for rental or other payment for such use, occupancy or utilization based in whole or in part on the net income or profits derived by any person from the Property, other than an amount based on a fixed percentage of receipts or sales. Any such purported agreement in violation of this covenant shall be absolutely void and ineffective as a conveyance of any right or interest in the use, occupancy or the utilization of any part of the Property. Landlord agrees that Tenant may enter into a sublease or license for the operation of a gift shop, restaurant or bar/lounge facility within the Hotel/Conference Center provided that such sublease or license terminates upon the Termination Date of this Sublease, and that the operation of any such subleased or licensed area is subject to the same operational standards as Tenant under the Sublease.

## **ARTICLE 18** **RIGHT TO FINANCE**

18.1 Tenant Financing. From time to time, subject to Landlord's prior written approval not to be unreasonably withheld, Tenant will have the right to pledge, hypothecate, grant a mortgage, lien or security interest, or otherwise encumber its interest in this Sublease, and all

property of Tenant that is used or useable in connection with the Hotel/Conference Center, and all revenues therefrom, as security for one or more loans, indebtedness or obligations. Any such indebtedness or obligation and any such mortgage, assignment or security agreement securing same will be for an amount and on such other terms and conditions as Tenant may agree. Any such leasehold mortgage loan, or loans, or extensions, renewals, re-financings or replacements thereof obtained by or on behalf of Tenant shall impose no liability on Landlord and shall not encumber Landlord's interest in the Property. The sole recourse of any Leasehold Mortgagee shall be against Tenant, Tenant's revenues, Tenant's interest in this Sublease, and Tenant's property. The underlying fee simple title to the Property shall not be mortgaged or encumbered by Tenant and any Leasehold Mortgage shall immediately terminate upon the expiration or termination of this Sublease.

18.2 Consent and Agreement. If required by Tenant's Lender, Landlord will enter into a "Consent and Agreement" for the benefit of any leasehold mortgagee ("Leasehold Mortgagee") to whom Tenant may grant a leasehold mortgage (a "Leasehold Mortgage") in accordance with this Article 18. The "Consent and Agreement" will generally be in the form reasonably required by Tenant's Lender, but subject to the reasonable approval of Landlord and Tenant of the terms and provisions thereof. Whether or not Tenant's Lender may require a Consent and Agreement, Landlord and Tenant agree that so long as any Leasehold Mortgage is a lien on part or all of the Hotel/Conference Center and the leasehold estate created by this Sublease as follows:

18.2.1 If Tenant or the Leasehold Mortgagee shall have delivered to Landlord prior written notice of the address of such Leasehold Mortgagee, Landlord will mail to Leasehold Mortgagee a copy of any notice of a default by Tenant hereunder, and will give to such Leasehold Mortgagee notice of any rejection of the Sublease by the trustee in bankruptcy of Tenant or by Tenant as debtor in possession, and no termination of this Sublease or termination of Tenant's right of possession of the Property or reletting of the Property by Landlord predicated on the giving of any notice shall be effective unless Landlord gives to the Leasehold Mortgagee written notice or a copy of its notice to Tenant of such default or termination, as the case may be.

18.2.2 In the event of any default by Tenant under the provisions of this Sublease, any Leasehold Mortgagee will have the same periods as are given Tenant for remedying such default or causing it to be remedied, plus, in each case, an additional period of thirty (30) days after the expiration of the initial cure period granted to Tenant pursuant to this Sublease or after Landlord has served a notice or a copy of a notice of such default upon the Leasehold Mortgagee, whichever is later.

18.2.3 In the event that Tenant shall default under any of the provisions of this Sublease, any Leasehold Mortgagee, without prejudice to its rights against Tenant, shall have the right to cure such default within the applicable grace periods provided for in the preceding Subsection 18.2.2 above, whether the same consists of the failure to pay rent or the failure to perform any other matter or thing that Tenant is hereby required to do or perform, and Landlord shall accept such performance on the part of such Leasehold Mortgagee as though the same had been done or performed by Tenant. For such purpose, Landlord and Tenant hereby authorize such Leasehold Mortgagee to enter upon the Property and to exercise any of its rights and powers under this Sublease and subject to the provisions of this Sublease.

18.2.4 In the event of any default by Tenant hereunder, and if prior to the expiration of the applicable grace period specified in Subsection 18.2.2 above, a Leasehold Mortgage shall give Landlord written notice that it intends to undertake the curing of such default, or to cause the same to be cured, or to exercise its rights to acquire the leasehold interest of Tenant by foreclosure or otherwise, and shall immediately commence and then proceed with all due diligence to do so, whether by performance on behalf of Tenant of its obligations under this Sublease, or by entry on the Property and/or the Improvements by foreclosure or otherwise, then Landlord will not terminate or take any action to effect a termination of the Sublease or re-renter, take possession of or relet the Property or the Improvements or similarly enforce performance of this Sublease in a mode provided by law so long as such beneficiary is with all due diligence and in good faith engaged in the curing of such default, or effecting such foreclosure; provided, however, that the Leasehold Mortgagee shall not be required to continue such possession or continue such foreclosure proceedings if such default shall be cured.

18.2.5 In the event that Tenant's interest under this Sublease shall be terminated by a sale, assignment or transfer pursuant to the exercise of any remedy of a Leasehold Mortgagee, or pursuant to judicial proceedings, and if (i) no rent or other charges shall then be due and payable by Tenant under this Sublease, or (ii) the Leasehold Mortgagee shall have arranged to the reasonable satisfaction of Landlord for the payment of all rent and other charges (less a credit for any income received by Landlord during such period) due and payable by Tenant under this Sublease as of the date of such termination, together with the rent and other charges that but for such termination would have become so due and payable from the date of such termination, and upon payment of all expenses, including reasonable attorneys' fees, incident thereto, Landlord will execute and deliver to such beneficiary of the Leasehold Mortgagee or its nominee a new lease of the Property. Such new lease shall be for a term equal to the remainder of the term of this Sublease before giving effect to such termination and shall contain the same covenants, agreements, terms, provisions and limitations as this Sublease, and shall be subject only to the encumbrances and other matters recited in this Sublease and acts done or suffered by Tenant. Upon the execution and delivery of such new lease, the new tenant, in its own name or in the name of Landlord, may take all appropriate steps as shall be necessary to remove Tenant from the Property, but Landlord shall not be subject to any liability for the payments of fees, including reasonable attorneys' fees, costs or expenses in connection with such removal; and such new tenant shall pay all such fees, including attorneys' fees, costs and expenses or, on demand make reimbursements therefor to Landlord.

18.2.6 In the event a default under a Leasehold Mortgage shall have occurred, the Leasehold Mortgagee may exercise with respect to the Property any right, power or remedy under the Leasehold Mortgage that is not in conflict with the provisions of this Sublease; provided, however, that any notice of default from such Leasehold Mortgagee to Tenant of a default shall be sent to Landlord prior to Leasehold Mortgagee's commencement of foreclosure proceedings.

18.2.7 This Sublease may be assigned, without the consent of Landlord, to or by any Leasehold Mortgagee or its nominee, or pursuant to foreclosure or similar proceedings, or the sale, assignment or other transfer of this Sublease in lieu thereof, or the exercise of any other right, power or remedy of such Leasehold Mortgagee, and any Leasehold Mortgagee shall be liable to perform the obligations imposed on Tenant in this Sublease only for and during the

period it is in possession or ownership of the leasehold estate created by this Sublease. There shall be no limit on the number of times that this Sublease may be so assigned as provided in this Article 18.

18.2.8 There shall be no merger of this Sublease or any interest in this Sublease nor of the leasehold estate created by this Sublease with the fee estate in the Property, by reason of the fact that this Sublease or such interest in this Sublease or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Property, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created by this Sublease may be conveyed or mortgaged in a Leasehold Mortgage to a beneficiary thereof who shall hold the fee estate in the Property or any interest of Landlord under this Sublease.

18.2.9 No surrender (except a surrender upon the expiration of the term of this Sublease or upon termination by Landlord pursuant and subject to the provisions of this Sublease) by Tenant to Landlord of this Sublease, or of the Property, or any part thereof, or of any interest therein, and no termination of this Sublease by Tenant shall be valid or effective, and neither this Sublease nor any of the terms of this Sublease may be amended, modified, changed or canceled and no consents of Tenant under this Sublease shall be valid or effective without the prior written consent of any then existing Leasehold Mortgagee who shall have previously given Landlord written notice of the existence of its Leasehold Mortgage. For so long as such Leasehold Mortgage is in effect, if Tenant shall at any time have the right pursuant to Article 16 of this Sublease to elect to terminate the Sublease rather than restore the improvements, (A) Landlord agrees to promptly notify such Leasehold Mortgagee that such right (which notice shall be given promptly after such termination right becomes known to Landlord), and (B) Landlord shall accept a notice of termination of this Sublease pursuant to the terms hereof, delivered by such Leasehold Mortgagee on behalf of the Tenant and such Leasehold Mortgagee may deliver such notice at any time on or prior to the later of (y) the last day that Tenant could have delivered its notice to exercise the termination option pursuant to this Sublease, and (z) thirty (30) days following the date on which the Leasehold Mortgagee receives Landlord's notice of the right to terminate pursuant to this Section 18.2.9. Landlord further agrees that such notice by the Leasehold Mortgage shall be effective to terminate this Sublease as if delivered by Tenant pursuant to the applicable provision of this Sublease.

18.2.10. Landlord consents to a provision in Leasehold Mortgages or otherwise for an assignment of rents from subleases of the Property to the holder of any such Leasehold Mortgage, effective upon any default under such Leasehold Mortgage.

18.2.11. If at any time there shall be more than one Leasehold Mortgage constituting a lien on this Sublease and the leasehold estate created by this Sublease and Tenant's interest in the Hotel/Conference Center, and the holder of the Leasehold Mortgage prior in lien to any other Leasehold Mortgagee shall fail or refuse to exercise the rights set forth in this Article 18, each holder of a Leasehold Mortgage in the order of the priority of their respective liens shall have the right to exercise such rights and provided further, however, that with respect to the right of the holder of a Leasehold Mortgage under Section 18.2.5 above, to request a new lease, such right may, notwithstanding the limitation of time set forth in Section 18.2.5, be exercised by the holder of any junior Leasehold Mortgage, in the event the holder of

prior Leasehold Mortgage shall not have exercised such right, more than sixty (60) days but not more than seventy-five (75) days after the giving of notice by Landlord of termination of this Sublease as provided in that Section.

18.2.12. Landlord agrees to enter into Sublease amendments reasonably requested by a prospective Leasehold Mortgagee, as long as the requested changes do not change the rent to be received by Landlord and do not materially or adversely affect Landlord's rights or interests under the Sublease.

## **ARTICLE 19**

### **ACCORD AND SATISFACTION**

No payment by Tenant or receipt by Landlord of a lesser amount than the rental herein stipulated shall be deemed to be other than on account of the earliest stipulated rent nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy provided for in this Sublease or available at law or in equity.

## **ARTICLE 20**

### **NO LIENS**

Tenant shall not directly or indirectly create or permit to be created or remain, and will discharge any lien, encumbrance, or charge on, pledge of, or conditional sale or other title retention agreement with respect to the Property or any part thereof or the rent or any other sum payable under this Sublease.

## **ARTICLE 21**

### **WAIVER**

No waiver of any condition or legal right shall be implied by the failure of Landlord or Tenant to declare a default or forfeiture, or for any other reason and no waiver of any condition or covenant shall be valid unless it be in writing signed by the party granting such waiver. The mention in this Sublease of any specific right or remedy shall not preclude Landlord or Tenant from exercising any other right or from having any other remedy or from maintaining any action to which it may be otherwise entitled either at law or in equity; and for the purpose of any suit brought or based on this Sublease, this Sublease shall be construed to be a divisible contract, to the end that successive actions may be maintained as successive periodic sums shall mature under this Sublease and it is further agreed that failure to include in any suit or action any sums or sums then matured shall not be a bar to the maintenance of any suit or action for the recovering of said sum or sums so omitted.

## **ARTICLE 22**

### **INDEMNIFICATION**

22.1 Indemnification of Landlord. Except as otherwise expressly provided in this Sublease, Tenant shall indemnify and hold harmless Landlord, BTIITF, and the Florida Board of Governors, their successors and assigns, employees and agents, from any and all claims, causes

of action, damages, expenses, and liability, including reasonable attorneys' fees, sustained or incurred by any persons for illness or injury, including death, or damage to any property which arises from or in any manner grows out of any act or omission of the Tenant, its agents, partners or employees with respect to the Property, the construction of the improvements thereon, or the condition or occupancy thereof by the Tenant, its agents, employees, licensees and invitees.

22.2 Indemnification of University and Related Entities. Except as otherwise expressly provided in this Sublease, commencing on the date which Tenant shall enter upon the Property to begin its construction, Tenant agrees that: (a) Tenant shall indemnify the University of Central Florida, the Florida Board of Governors, BTITF and the State of Florida and save them harmless from suits, actions, damages, liability and expense in connection with loss of life, bodily injury or property damage arising from or out of any occurrence at, in, or from the Property its sidewalks, parking area and all facilities within the Hotel/Conference Center development or any part thereof by reason of the construction, occupancy, or use of the Property by reason of Tenant's breach under any provision hereof, or by reason of any negligent act or omission by Tenant, its agents, contractors, employees, servants, invitees, licensees or concessionaires; (b) Tenant shall store its property in and shall occupy the Property and all other portions of the Hotel/Conference Center at its own risk, and shall release Landlord, to the full extent permitted by law, from all claims of every kind resulting in loss of life, personal or bodily injury or property damage; (c) the University of Central Florida, the Florida Board of Governors and the State of Florida shall not be responsible or liable at any time and Tenant expressly releases them from any loss or damage to Tenant's merchandise, equipment, fixtures or other personal property of Tenant or to Tenant's business; (d) Tenant shall give prompt notice to Landlord in case of fire or accidents on the Property or in the Hotel/Conference Center or defects therein or in any fixtures or equipment that result in substantial damage to the Property; (e) in case the University of Central Florida, the Florida Board of Governors, BTITF or State of Florida shall be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold such parties harmless and shall pay all costs, expenses and reasonable attorneys' fees incurred in connection with such litigation; and (f) to the extent that Landlord is the prevailing party in any litigation, Tenant shall pay all costs, expenses and reasonable attorneys' fees that may be incurred or paid by Landlord in enforcing any of the terms of this Sublease.

22.3 Indemnification/Reimbursement of Tenant. To the extent allowed by law, specifically section 768.28 Florida statutes, Landlord shall indemnify, reimburse and hold harmless Tenant from and against all suits, actions, damages, liability, cost and expense arising out of and from any negligence of Landlord, its employees and agents, or by reason of Landlord's breach of any provision hereof. To the extent that Tenant is the prevailing party in any litigation, Landlord shall pay all costs, expenses and reasonable attorneys' fees that may be incurred by Tenant in defending against the enforcement by Landlord, or in enforcing any obligations of Landlord, under the terms of this Sublease.

22.4 No Release from Negligence or Willful Misconduct. The indemnification provided in this Article 22 is expressly limited and shall not extend to any suit, action, liability, cost or expense which arises from any negligent act or omission, or willful misconduct, of the indemnified party. No release of a party from liability provided in this Article 22 shall extend to liability arising from any negligent act or omission, or willful misconduct, of the released party.

**ARTICLE 23**  
**SURRENDER AND HOLDING OVER**

Tenant shall deliver up and surrender to Landlord possession of the Property and Hotel/Conference Center upon the expiration of the Sublease, or its termination in any way, in as good condition and repair as the same shall be on the commencement of said Sublease Term (reasonable wear and tear and damage by fire and other perils excepted), and shall deliver the keys to Landlord or Landlord's agent. Should Tenant or any party claiming under Tenant remain in possession of the Property, or any part thereof, after any termination of this Sublease, no tenancy or interest in the Property or Hotel/Conference Center shall result therefrom but such holding over shall be an unlawful detainer and all such parties shall be subject to immediate eviction and removal, and Tenant shall, upon demand, pay to Landlord, as liquidated damages, a sum equal to double the Base Rent as specified herein, prorated on a daily basis, for any period during which Tenant shall hold the Property after the stipulated Sublease Term may have terminated.

**ARTICLE 24**  
**CONDEMNATION**

24.1 Condemnation Compensation Generally. In the event that the Property, or any part thereof, shall be taken in condemnation proceedings or by exercise of any right of eminent domain or similar right, or by agreement between Landlord, Tenant and those authorized to exercise such right (any such matters being hereinafter referred to as a "taking"), Landlord, Tenant and any person or entity having an interest in the award or awards shall have the right to participate and recover compensation in any such condemnation proceedings or agreement for the purpose of protecting their interests in the Property. Each party so participating shall pay its own expenses therein.

24.2 Business Damages. Tenant shall be entitled to assert a separate claim for, and collect the entirety of, any "business damage" award based upon its loss of income from any such taking.

Whole Condemnation. If at any time during the Sublease Term there shall be a taking of the whole or substantially all of the Property, this Sublease shall terminate and expire on the date title is transferred to such taking entity and the rent hereunder shall be apportioned and paid to the date of such taking. For the purpose of this section "substantially all of the Property" shall be deemed to have been taken if the remaining part of the Property not so taken cannot be adequately restored, repaired or reconstructed, in the mutual opinion of Landlord and Tenant, so as to constitute a complete, architecturally sound hotel and conference center that is economically sound, with adequate parking and other facilities.

If this Sublease shall have terminated as result of such taking, then Landlord and Tenant shall join together to seek recovery for the fair market value of their respective estates and the buildings and improvements located thereon. As between Landlord and Tenant, the parties agree that each shall be entitled to its fair and equitable share of any award or awards, and that any apportionment shall assume that the Sublease is not terminated by the taking and continues for the entire Sublease Term (including any extensions). Landlord shall be entitled to the portion of



the award attributable to the value of the land that is taken, without improvements and as encumbered by this Sublease, and to the "Residual Value" of the Hotel/Conference Center improvements, and Tenant shall be entitled to the balance of any award. For purpose of this Sublease, "Residual Value" shall mean the fair market value of the Hotel/Conference Center improvements upon the expiration of the Sublease Term as determined by appraisal, discounted to present value. If Tenant shall assign to any Leasehold Mortgagee any award to which it shall be entitled, Landlord shall recognize such assignment and shall consent to the payment of the award to such assignee as its interest may appear

24.4 Partial Condemnation. If this Sublease shall continue after any such taking, this Sublease shall remain unaffected except:

24.4.1 The rent shall be equitably adjusted taking into account the changed circumstances caused by such taking. Until the new rent shall have been determined, Landlord and Tenant shall make a good faith estimate of the percentage of decrease in rent due and pay such amount to Landlord, which estimate shall be based on the proportion of anticipated lost annual gross revenues attributable to the loss of floor space, hotel rooms, parking and other improvements relative to the average gross revenues for the preceding three years; provided, upon such determination, an appropriate adjustment shall be made and Landlord or Tenant shall promptly pay the amount necessary to adjust any overpayment or underpayment.

24.4.2 Landlord shall be entitled to the portion of the award allocable to the value of any land that is taken, not including improvements and subject to this Sublease, and to the Residual Value (if any) of any improvements taken.

24.4.3 Tenant shall then be entitled to receive the balance of the award and the same shall be payable to Tenant for application by Tenant to the cost of restoring, repairing, replacing or rebuilding the improvements. Tenant shall, promptly after such partial taking and at its expense, restore such building or buildings to a complete architectural unit, and the Property, to the reasonable satisfaction of Landlord.

## **ARTICLE 25**

### **EXCEPTIONS TO DEMISE**

Notwithstanding anything to the contrary herein contained, this Sublease is subject to all easements and utility easements and other restrictions, encumbrances and agreements affecting the Property, both recorded and unrecorded, that are reflected on the title insurance commitment obtained by the Tenant and set forth on the Exhibit 25 attached hereto.

## **ARTICLE 26**

### **SUBLEASE INURES TO BENEFIT OF ASSIGNEES**

This Sublease and all the covenants, provisions and conditions herein contained shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and permitted assigns, respectively, of the parties hereto, provided, however, that no assignment by, from, through or under Tenant in violation of the provisions hereof shall vest in the assigns any right, title or interest whatever.

**ARTICLE 27**  
**QUIET ENJOYMENT**

27.1 Quiet Enjoyment. Landlord hereby covenants and agrees that if Tenant shall perform all the covenants and agreements herein stipulated to be performed on Tenant's part, Tenant shall at all times during the continuance hereof have the peaceable and quiet enjoyment and possession of the Property without any manner of let or hindrance from Landlord or any person or persons lawfully claiming the Property.

27.2 No Liens or Additional Encumbrances. Landlord shall not permit any mortgage or other liens to exist with respect to the BTIITF's fee simple interest in the Property. Landlord shall not grant any easements, restrictions or other encumbrances on the Property without Tenant's consent.

**ARTICLE 28**  
**NO PARTNERSHIP**

Landlord does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or a joint venturer or a member of a joint enterprise with Tenant.

**ARTICLE 29**  
**NOTICES**

Any notice or consent required to be given by or on behalf of either party to the other shall be in writing and shall be given by mailing such notice or consent by registered or certified mail, return receipt requested, addressed to the Landlord at the address specified below, and to the Tenant at the address specified below, or the Hotel/Conference Center, or at such other address as may be specified from time to time in writing sent to the other party by registered or certified mail.

If to Landlord:

University of Central Florida  
Attention: William F. Merck, II  
Vice President for Administration and Finance  
4365 Andromeda Loop North  
Suite 384  
Orlando FL 32816  
Email: [william.merck@ucf.edu](mailto:william.merck@ucf.edu)

If to Tenant:

Pegasus Hotel LLC  
Attention: Dennis Biggs  
1251 Avenue of the Americas  
Suite 910  
New York, NY 10020  
Email: [Dbiggs@kudllc.com](mailto:Dbiggs@kudllc.com)

If to BTIITF:

Board of Trustees of the Internal  
Improvement Trust Fund  
Cheryl C. McCall, Chief  
Bureau of Public Land Administration,  
Division of State Lands, State of Florida  
Department of Environmental Protection,  
Agent for and on behalf of  
The Board of Trustees of the Internal  
Improvement Trust Fund

**ARTICLE 30**  
**INTERPRETATION**

Wherever either the word "Landlord" or "Tenant" is used in this Sublease, it shall be considered as meaning the parties respectively, wherever the context permits or requires, and when the singular and/or neuter pronouns are used herein, the same shall be construed as including all persons and corporations designated respectively as Landlord or Tenant in the heading of this instrument wherever the context requires.

**ARTICLE 31**  
**PARAGRAPH HEADINGS**

The paragraph headings are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Sublease nor in any way affect this Sublease.

**ARTICLE 32**  
**ENTIRE AGREEMENT**

This Sublease and the Exhibits attached hereto, and any Rider attached hereto and forming a part hereof, set forth all covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Property and there are no covenants, promises, agreements, conditions or understanding, either oral or written, between them other than are herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Sublease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them. Tenant agrees that Landlord and its agents have made no representations or promises with respect to the Property or the Hotel/Conference Center except as herein expressly set forth.

**ARTICLE 33**  
**NO OPTION**

The submission of this Sublease for examination does not constitute a reservation of or option for the Property, and shall vest no right in any party. This Sublease becomes effective as a Sublease only upon execution and delivery thereof by Landlord and Tenant.

**ARTICLE 34**  
**NO MERGER OF TITLE**

There shall be no merger of this Sublease or of the leasehold estate created by this Sublease by reason of the fact that the same person, firm or corporation or other entity may acquire or own or hold directly or indirectly (a) this Sublease or the leasehold estate created by this Sublease or any interest in this Sublease or in any such leasehold estate, and (b) the fee estate in the Property or any part thereof or any interest in such fee estate and no such merger shall occur unless and until all corporations, firms and other entities, including any mortgagee, having any interest in (i) this Sublease or the leasehold estate created by this Sublease, and (ii) the fee estate in the Property or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

**ARTICLE 35**  
**SEVERABILITY OF PROVISIONS**

In the event any section, subsection, paragraph, subparagraph, sentence, clause or phrase of this Sublease shall be declared or adjudged invalid or unconstitutional, such adjudication shall in no manner affect the other sections, subsection, paragraphs, subparagraphs, sentences, clauses or phrases of this Sublease, which shall be and remaining full force and effect, as if the section, subsection, paragraph, subparagraph, sentence, clause or phrase so declared or adjudged invalid or unconstitutional was not originally a part thereof. The parties hereby declare that it would have been their intention to have agreed upon the remaining parts of this Sublease if it had known that such part or parts thereof would be declared or adjudged invalid or unconstitutional.

**ARTICLE 36**  
**USE OF NAME**

Tenant shall not, during the Sublease Term, change the name of the Hotel/Conference Center without the express written permission of the Landlord, which permission will not be unreasonably withheld or delayed.

Tenant shall not use the name of the University of Central Florida without the express written consent of the Landlord. Nothing in this Sublease shall be construed to grant Tenant the right to use the symbols, logos, trademarks or other representations of the University of Central Florida or its athletic teams without the express written consent of the Landlord. Tenant agrees that upon the request of the Landlord, it shall place the phrase "Not affiliated with the University of Central Florida" on all advertisements, promotional material, correspondence, or other written documents or materials distributed or made available to the public.

**ARTICLE 37**  
**ATTORNEYS' FEES**

If any rent owing under this Sublease is not paid when due, and is thereafter collected by or through an attorney at law, Tenant agrees to pay a reasonable attorneys' fee and other expenses incurred by Landlord.

**ARTICLE 38**  
**INTEREST**

All sums payable under this Sublease, if not paid when due, shall accrue interest at the Default Rate, from their due date until paid. Tenant's obligation to pay any such interest will be so much additional rent under this Sublease. Any such interest owing shall be paid upon demand.

**ARTICLE 39**  
**WAIVER OF JURY TRIAL**

Neither Landlord nor Tenant shall seek a jury trial in any lawsuit, proceeding, counter-claim, or any other litigation based upon, or arising out of this Sublease, any related instrument, any collateral or the dealings or the relationship between or among the parties, or any of them. No party will seek to consolidate any such action, in which a jury has been waived, with any other action in which a jury trial cannot or has not been waived. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE PARTIES HERETO. NO PARTY HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

**ARTICLE 40**  
**NOT CONSENT TO SUE**

The provisions, terms or conditions of this Sublease shall not be construed as a consent of the State of Florida to be sued and no such consent is granted except as provided by Florida Statutes or case law.

**ARTICLE 41**  
**PUBLIC RECORDS LAW**

Landlord shall have the right to bring a suit for specific performance at any time for failure of Tenant to allow public access to all documents, paper, letters or other materials that Tenant is required to deliver, if any, pursuant to the provisions of Chapter 119, Florida Statutes, and made or received by Tenant in conjunction with this Sublease.

**ARTICLE 42**  
**GOVERNING LAW**

This Sublease shall be governed by Florida law. Venue for any litigation arising hereunder shall lie exclusively in the appropriate court located in Orange County, Florida.

**ARTICLE 43**  
**DUE DILIGENCE INVESTIGATIONS**

43.1 Investigation. Tenant shall have a period of ninety (90) days from the date of this Sublease to further investigate and inspect the Property to determine its suitability to the uses and purposes of Tenant for the Property, including but not limited to the right to conduct engineering studies and to make soil tests/borings; to conduct environmental studies; to review the drainage rights/obligations, easements and restrictions appurtenant to the Property; to review the condition of the title to the Property; to have the Property surveyed; to determine that necessary building, sewer, environmental, ecological and curb cut permits and/or consents for the development, construction and operation of improvements on the Property as contemplated by Tenant can be obtained from the appropriate governmental authorities without undue expense or delay; to determine that the soil conditions of the Property are such that unusual or costly construction techniques will not be required to develop the Property as contemplated by Tenant; to determine to Tenant's sole satisfaction that electric, water, sanitary sewer, storm sewer, gas and telephone service is immediately available or will continue to be available, at no cost to Tenant other than ordinary tap fees are available at or within the boundaries of the Property, and having sufficient capacity to serve the Tenant's proposed improvements to the Property; and to conduct any and all other investigations of the Property as Tenant deems appropriate.

43.2 Termination. In the event Tenant shall notify Landlord in writing within such ninety (90) days that the Property is not suitable for its purposes and that it wishes to terminate this Sublease, this Sublease shall terminate and neither party hereto shall have any further obligation to the other party hereto nor shall the Property herein described be encumbered in any way by reason of this Sublease. In such event, Tenant shall deliver to Landlord all third-party prepared test results, surveys, engineering and feasibility studies of the Property in Tenant's possession and without cost to Landlord.

**ARTICLE 44**  
**RADON GAS**

Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

**ARTICLE 45**  
**ENVIRONMENTAL MATERS**

Landlord and Tenant hereby acknowledge that Tenant has performed all environmental due diligence desired by Tenant with respect to the Property and surrounding areas. Any contamination by Hazardous Substance or Materials located in, on or under the Property or any violations of Applicable laws arising or occurring after the Effective Date that are not the result of Hazardous Substance or Materials migrating from Landlord's adjacent property onto the Property or caused by Landlord its employees or agent, shall not be the responsibility of Landlord.

For purposes hereof, the following definitions shall apply: (i) “Environmental Law” means and includes the Comprehensive Environmental Response Compensation and Liability Act (“CERCLA” or the Federal Superfund Act) as amended by the Superfund Amendments and Reauthorization Act of 1986 (“SARA”) 42 U.S.C., Sections 9601-9675; the Federal Resource Conservation and Recovery Act of 1976 (“RCRA”); the Clean Water Act, 33 U.S.C., Section 1321, et seq.; the Clean Air Act, 42 U.S.C., Section 7401, et seq., all as the same may be from time to time amended and any other federal, state, county, municipal, local or other statute, law, ordinance or regulation which may relate to or deal with human health or the environment, including, without limitation, all regulations promulgated by a regulatory body pursuant to any such statute, law or ordinance; and (ii) “Hazardous Substance or Materials” means asbestos, urea formaldehyde, polychlorinated biphenyls, nuclear fuel or materials, chemical waste, radioactive materials, explosives, known carcinogens, petroleum products or other dangerous, toxic, or hazardous pollutant, contaminant, chemical, material or substance defined as hazardous or as a pollutant or contaminant in, or the release or disposal of which is regulated by, any Applicable Law.

Tenant agrees that the Property will remain free from contamination by Hazardous Substance or Materials in excess of amounts permitted by Environmental Laws and that the Property and the activities conducted or to be conducted thereon do not and will not violate any environmental laws. Tenant shall not cause or permit the Property to be used for the generation, handling, storage, transportation, disposal or release of any Hazardous Substance or Materials except as specifically exempted or permitted at all times under applicable Environmental Laws. Tenant shall not cause or permit the Property or any activities conducted thereon to be in violation of any current or future applicable environmental Laws. Tenant will promptly notify Landlord of any violation of any environmental Laws relating to the use of the Property or the Hotel/Conference Center or the release or suspected release of Hazardous Substance or Materials in, under or about the Property in violation of environmental laws, and Tenant shall promptly deliver to Landlord a copy of any notices, filings or permits sent or received by Tenant or on behalf of Tenant with respect to the foregoing. Tenant shall have the right to direct decisions regarding remediation activities affecting the Property which are the responsibility of Tenant under this Sublease all of which shall be performed at Tenant’s cost, but Landlord shall have reasonable input into decisions regarding remediation activities. Notwithstanding the foregoing, in no event shall Tenant be entitled to agree to any lesser clean-up standard than is required by Applicable Law (without reliance on any risk based corrective action measures) or to any limitation on use that would bind the Property following the expiration of the Term without Landlord’s consent, which may be withheld in Landlord’s sole and absolute discretion. In the event Landlord suffers any claims or loss pursuant to this Sublease, Tenant shall immediately reimburse Landlord hereunder, any such amounts shall constitute Additional Rent due from Tenant to Landlord, and will be due and payable in full within thirty (30) days following receipt of written notice. Tenant’s liability under this provision for matters existing on or prior to the expiration or termination of this Sublease shall survive the expiration or any termination of this Sublease.

**IN WITNESS WHEREOF**, Landlord and Tenant have hereunto set their hands and seals as of the day and year first above written.

UNIVERSITY OF CENTRAL FLORIDA  
BOARD OF TRUSTEES

By: \_\_\_\_\_  
John C. Hitt  
President

Approved as to form and legality:

\_\_\_\_\_  
Office of the General Counsel  
University of Central Florida

THE BOARD OF TRUSTEES OF THE  
INTERNAL IMPROVEMENTS TRUST  
FUND OF THE STATE OF FLORIDA

By: \_\_\_\_\_  
Director, Division of State Lands,  
State of Florida Department of  
Environmental Protection



[Attached to Sublease Agreement]

PEGASUS HOTEL LLC

By: \_\_\_\_\_  
Dennis Biggs  
President

**EXHIBIT “A”**

**THE PROPERTY**

A legal description of the Property will be prepared that is consistent with the site plan which is attached to this Sublease as part of Exhibit 4.1.2, at such time as the site plan process is finally approved, thus resulting in definitive boundaries of the area required for the Hotel/Conference Center.

TOGETHER WITH the following easements and rights of use which shall continue for the Sublease Term:

[NOTE: before lease execution appropriate easements for right of way, ingress and sanitary sewer, potable water, irrigation, reclaimed water, drainage, electric, telecommunications, cable, etc. will be agreed upon and inserted]

EXHIBIT 4.1.2

PRELIMINARY PLANS AND SPECIFICATIONS

[NOTE: before lease execution, site plan, drainage and utility plans, elevations, and floor plans to the extent available and agreed will be attached and/or referenced]

EXHIBIT 25

TITLE INSURANCE EXCEPTIONS WITH RESPECT TO THE PROPERTY

[Note: title company and surveyor to confirm if and where easements and leases affect the property before finalizing lease, and appropriate agreed title exceptions inserted]